

3 1761 11650994 4



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

A.R.

Dr. Innis

Canada,
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUL 13 1949

VOLUME

19

521159

23.4.81





Presented to
The Library
of the
University of Toronto
by
Professor H.A. Innis

THE ROYAL COMMISSION ON TRANSPORTATION

Halifax, N.S. July 13th, 1949

Index Page #34

Page

RAND H. MATHESON - Recalled

Continuation of brief of Transportation Commission of Maritime Board of Trade - - - - - 3482
(Under heading of 2. Historical aspects of freight rates in relation to the Maritime provinces)

(c) After the Maritime Freight Rates Act and the existing Domestic Rate Structure 3504

EXHIBIT No.47: Volume 2 of brief of Transportation Commission of Maritime Board of Trade - - - - - 3527

NOON ADJOURNMENT - - - - - 3586

3. The Incidence of Horizontal Percentage Rate Increases and Other Rate Changes and Their Effects on the Maritime Provinces.

(a) The Problem - - - - - 3590

(b) The Significance of Two Transcontinental Systems in relation to the Maritime Rate Structure - - - - - 3613

(c) Basic Recommendations - - - - - 3620

(d) International Rates - - - - - 3670

(e) Export and Import Rates - - - - - 3679

- - - - -

THE ROYAL CANADIAN MOUNTED POLICE ON TRANSFORMATION

Index Page 337

History, N.S. 1911-1912

FRANK H. MATTHESON - Registrar

3480	Continuation of list of Transformation Com- mission of Maritime Board of Trade - - -
3501	(After the Maritime Board of Trade Act and the existing Board of Trade structure provinces)
3507	Volume 2 of list of Transformation Continuation of list of Maritime Board of Trade - - -
3508	NOON ADJOURNMENT - - -
3530	3. The incidence of Maritime registration late increased and there has been a large increase in the Maritime provinces.
3531	(e) The problem - - -
3532	(f) The significance of the Transformation- for systems in relation to the Maritime Board of Trade - - -
3533	(g) Basic economic conditions - - -
3534	(h) International relations - - -
3535	(i) Federal and provincial relations - - -

THE ROYAL COMMISSION ON TRANSPORTATION

HALIFAX, N.S.
Wednesday, July 13th,
1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. Chairman

HAROLD ADAMS INNIS Commissioner

HENRY FORBES ANGUS Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

RAND H. MATHESON, recalled

MR. COVERT: Mr. Chairman, we left off at page 57 of volume 1 of the brief; and Mr. Matheson proposes to continue from there.

THE WITNESS: Mr. Chairman and members of the Commission, I shall not take time to read table 8, but I take it that it will be put into the transcript as read. Now, starting with the last paragraph on page 57.

A corresponding, but not always identical pattern, occurred in respect of other types of class and commodity rates in the Maritime rate structure during the same period, although the increases and reductions as prescribed by the Board in the general cases were generally adopted "in toto." For the purposes of this presentation it should suffice merely to refer briefly to the incidence of some of the other adjustments in the formation of the rate structure which existed prior to the effective date of the rates established under the Maritime Freight Rates Act.

As stated previously⁽⁹⁵⁾ it was not until after the Canadian Government Railways became subject to the Board of Railway Commissioners in 1923 that the Standard Mileage Rates were finally raised to the level of the Central Quebec-Ontario basis, although in April, 1913, the scale was increased materially and subsequently raised and reduced in conformity with the general increases and decreases authorized by the Board between 1916 and 1922.

(95) Page 20 of Brief.

The origin date of the special Town Tariff class rates in the Maritime is not clear although it is the understanding that some special class rates lower than the standard mileage existed prior to March, 1898, when uniform Town Tariff class rates were established. These special class rates remained in effect until increased to the level of the standard mileage rates in July, 1905. Effective in May, 1913, the Central Quebec-Ontario scale was adopted resulting generally in increases. Those rates were also subsequently increased and reduced in conformity with decisions of the Board of Railway Commissioners, even despite the fact that the Intercolonial Railway, and, subsequently, the Canadian Government Railways, were not subject to the jurisdiction of the Board of Railway Commissioners, as then known.

The impact of the changed policy of the International, coupled with the uniform percentage increases, was more drastic in the case of rates on specific commodities. Special commodity rates in a number of cases were cancelled and the class rates left to apply. For example, for many years the rates on sugar from the Maritime refineries at Saint John, N.B., and Halifax, N.S., to specified Quebec and Ontario points were on a commodity basis, but effective on August 12, 1918, the special rates were withdrawn and, in conjunction with the cancellation, the effective class rates were increased 25% in conformity with Order in Council P.C.1863 of July 27, 1918. As a consequence, in one swoop the rate on sugar from Saint John, N.B., to Toronto, Ontario, for example, was increased from 30¢ per 100 lbs. to 50½¢ or by 68.3%. The cumulative increase to Toronto from 1915

to 1922 amounted to 162.5%. As to Quebec and Montreal, in the same period the increases amounted to 226.6% and 191.6% respectively.

COMMISSIONER INNIS: Q. Is this still true with respect to sugar?

A. I beg your pardon?

Q. You are still talking about sugar?

A. I am still talking about sugar.

MR. O'DONNELL: It is not still true, though.

THE WITNESS: In contrast, the general increases authorized in the Central Provinces between 1915 and 1922 amounted to approximately 84%. Similarly, the special commodity rates on potatoes that had existed from Saint John Valley points to Toronto and related territory were increased with the 8th class effective on June 7, 1917. The increase from 1915 to 1922 amounted to approximately 107%. These relatively drastic increases precipitated strong protests which became more vociferous as their full impact impinged more and more upon the Maritime economy with the recession from war-boom conditions.

I might add that there were other commodity rates cancelled. Time did not permit the full development of the various commodities. But if it would be of assistance, we could further analyse some of these tariffs that we have available. Incidentally, some of these tariffs are now out of print. I have in mind -- but I am not definite about it -- rates on such commodities as biscuits and molasses, which were special, and subject to considerable increases about that time.

If it is the desire of the Commission to have

further information about some of these special commodity rates which were cancelled, we will endeavour to look through our files and develop some further information. We thought this would be illustrative of some of the things which took place during the so-called levelling period.

The railways attempted to mitigate the effects of the revolutionary increases by voluntarily reducing the class rates between the Maritimes and stations in Ontario and Quebec west of Montreal, effective on April 14, 1924. The reductions were in some cases too late, and in any event too little. For example, the first class rates from Halifax, N.S., and Saint John, N.B., to Montreal, P.Q., and Toronto, Ont., were reduced as follows:

TABLE 9

PERCENTAGE REDUCTIONS IN FIRST CLASS RATES
(Rates in cents per 100 lbs.)

<u>From Halifax, N.S.</u>	<u>To Montreal, P.Q.</u>	<u>To Toronto, Ont.</u>
April 13, 1924	108	130
April 14, 1924	104	119
% Reduction	3.7	8.4
<u>From Saint John, N.B.</u>		
April 13, 1924	104	125½
April 14, 1924	100½	115
% Reduction	3.4	8.4

As the class rate structure between the Maritimes and other parts of Canada is predicated upon "arbitrariness" over Montreal it is natural to find this method of rate making reflected in the rates on grain and grain products and other commodities.

I think, perhaps, at this time, I should define what an arbitrary is, for the information of the Board, and also give a definition of what a differential is.

An arbitrary may be a fixed amount which a transportation line agrees to accept, in dividing a rate, or a fixed amount, added or deducted from a rate from one station, to make a rate from another; or, a fixed amount added to, or deducted from, a rate to one station to make a rate to another station.

On the other hand, a differential is the difference established between rates from related points of origin, or to related points of destination, or by different routes between the same points.

MR. FRAWLEY: Q. As a matter of interest, I suppose that your definitions are taken from some text?

A. I have checked up on these definitions in order to clarify it, in the texts.

Mr. O'DONNELL: Q. In the text which is referred to in the footnote?

A. No. There is no footnote on that page. I took as a source, the "Freight Traffic Red Book".

MR. FRAWLEY: Q. That is a publication of the American railroads, is it not?

A. It is an official publication, but I forget the name of the organization. However, it has been published for years.

MR. O'DONNELL: Q. It is just a treatise written by someone. It is not an official document of any kind?

A. No, not an official document. It is something like an engineer's handbook.

THE CHAIRMAN: Is there any disagreement about the definitions?

MR. O'DONNELL: I do not know. I have not read it.

THE WITNESS: The primary purpose of arbitraries is to maintain relationships. However, when rates are increased percentage-wise with no regard to relationships, the natural consequence is disrupted parities with the resultant handicaps to more distant industries in competitive markets. The system of constructing rates between the Maritimes and other parts of Canada was a logical product of the policy inherent in the construction and operation of the Intercolonial.

The general increases and decreases, coupled with the realignments occurring during the period 1912 to 1925 resulted in substantial increases in arbitraries over ⁽⁹⁶⁾ the Montreal rates between the Maritimes and Quebec-Ontario points. ⁽⁹⁷⁾

It is not without significance that despite considerable increases in the inter-territorial rates the resultant relationships between groups in the Maritimes were not materially altered. For example, in 1912 the first class rate from Halifax to Toronto was 2¢ over Saint John and emerged in 1925 4¢ over.

I think one of the contributing factors in this respect, was the reduction which was implemented by the railways, voluntarily, on April 14, 1924.

(96) Appendix 63.

(97) As previously noted supra the arbitraries between the Maritimes and Western Canada over Montreal were considerably reduced by General Order No. 366 of the Board of Railway Commissioners, effective April 1st, 1922.

From Sydney to Toronto the first class arbitrary over Saint John was 10¢ in 1912 compared with 10½¢ in 1925. (98)

For many years the domestic rates on grain and grain products to the Maritimes have been based on arbitraries over Montreal. The structure was reviewed by the Board of Railway Commissioners in 1917 and increases were authorized. The arbitrary to Saint John was increased by 2½¢ per 100 lbs. from 10¢, and to Halifax the Board prescribed an additional 1¢ which it considered "as the proper relationship." (99)

The export and import rate structure to and from Maritime ports also reflected the incidence of the general adjustments, both in Canada and the United States. However, the port differential relationships which had been extended to Halifax and Saint John in the '90's were generally maintained in this period although it was not until October, 1923, that Halifax was finally equalized with Saint John and Portland. (100)

-
- (98) In contrast the 21% Freight Rate Increase, which became effective on April 8, 1948, resulted in the first class arbitrary over Toronto-Saint John rate spreading from 4¢ to 5¢ to Halifax, and 10½¢ to 13¢ to Sydney.
- (99) Judgment of the Board of Railway Commissioners, dated July 17, 1917. (General Order 202). Subsequently these rates were increased and decreased in consonance with the general adjustments effected during the period.
- (100) The failure of a greater volume of Canadian export and import traffic to flow through Maritime ports instead of U.S. channels continued to be the cause of considerable dissatisfaction, particularly in Saint John and Halifax. This situation influenced in 1923 the establishment of a 10% reduction to the Preferential Customs rates applicable when imports were shipped direct to Canadian ports. Subsequently the application of the Customs Preferential Tariff was made dependent upon direct shipments through Canadian ports. This was another milestone in furtherance of the efforts to encourage traffic through Canadian ports - a policy that had been the subject of specific provisions in a number of Acts respecting railways in Canada.

And with reference to the question which was raised yesterday about the use of the term and expression, I stated that that was my opinion.

THE CHAIRMAN: Q. When you say that Halifax was equalized with Saint John, what did you mean?

A. They were put on the same export and import rates.

Q. And when you say "rates", do you mean a lump sum?

A. A lump sum. Before 1923 Halifax took a one cent differential over Saint John.

Q. It would cost more?

A. One cent more over Saint John, that is right, sir. It was a matter of controversy for some years, going back to the early 1900's, in any event, and there was an agreement with the Grand Trunk Railway in regard to the through rates from Montreal to the West; and it was stipulated at that time that Halifax would take a one cent differential over Saint John. That was part of the agreement.

Q. You say that it was not until October, 1923, that Halifax was finally equalized?

A. That is right.

Q. Is that still going on?

A. Yes.

Q. It costs the same to ship from Montreal to Halifax as from Montreal to Saint John?

A. That is right. That fits in with the port-differential rate structure, to which I shall make further reference. That applies to export and import rates.

Q. Both ways?

A. That is right. I refer to the word "commercializing", and I express it as an opinion. I think it is a footnote. Turn to page 21 of my brief, where Mr. Frank Cochrane, who was then the Minister of Railways, said:

"I am trying to run the Intercolonial on a business basis . . . I am satisfied that increases in rates are necessary."

Right through there I indicated that the levelling up process was indicative of the fact that they were trying to carry out the policy which was implemented in 1912.

In the process of commercializing the Intercolonial there emerged, before the Maritime Freight Rates Act became effective on July 1st, 1927, a marked similarity between the basic rates of the Maritimes and the Central Quebec-Ontario structure. Even in the case of some commodity rates, which are influenced considerably by particular conditions and circumstances, the basis was either similar or identical. For example, the normal mileage scale on lumber in the Quebec-Ontario territory was reduced to the Maritime level in 1907; the Maritime scale on cement was increased to the Central Quebec-Ontario level in April, 1926; the rates on newsprint from Maritime originating points were established on the Quebec-Ontario level in 1923, etc.

The Maritime Freight Rates' Act re-established partly the policy inherent in the construction and operation of the Intercolonial Railway -- a policy which recognized that:

- (a) strategic considerations resulted in a railroad 250 miles longer than necessary;

- (b) "commercial considerations were subordinated to national, imperial and strategic considerations;"

These are the words of the Duncan Report.

- (c) the Intercolonial was intended "to afford Maritime merchants, traders and manufacturers the markets of the whole Canadian people instead of the restricted markets of the Maritimes themselves;" and

- (d) the cost of the railway "should be borne by the Dominion and not by the traffic" on the line. (101)

That reference is taken from the preamble to the Maritime Freight Rates Act.

In order to re-establish this policy in the form of a "broad measuring" the Act provides, among other things, that -

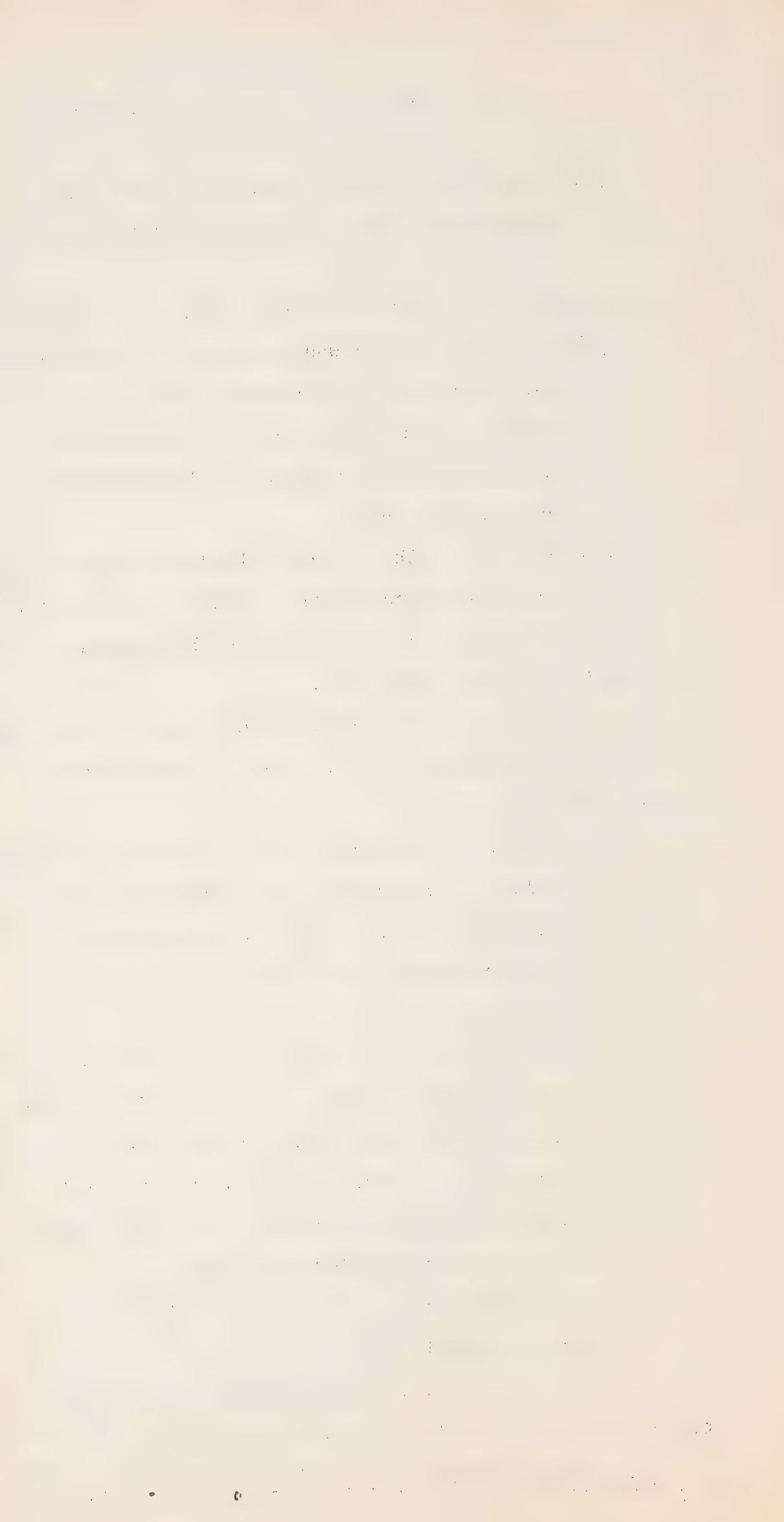
- (1) The rates on the lines of the Canadian National Railways located from the Seaboard to Diamond Junction and Levis, Quebec, designated as "Eastern lines," are required to be reduced by "approximately 20 per cent."
- (2) The "approximately 20 per cent" reduction is to apply on the "Eastern lines" proportion of the through rates from points in the "select territory" to points outside, and on export traffic from points in the "select territory" to ocean ports in that territory.

THE CHAIRMAN: Q. Just to ocean ports?

A. That is right, sir.

Q. You say: ". . . export traffic from points in the 'select territory' to ocean ports in that territory"?

A. That is right, sir. But in the event of movements,
(101) See Preamble to the Maritime Freight Rates Act.



our domestic rates are local rates, not for export, and the Maritime Freight Rate Act applies. I think it should be pointed out here that there has been, at times, a misconception as to the Maritime Freight Rates Act. People in various parts of the country are under the impression that it applies on the whole rate from the originating point to destinations in Canada. But it should be made clear that it only applies on a portion of the whole rate.

For example, British Columbia to Toronto, on that distance it is not very great at all. But I will refer later on to the method by which this 20% is applied as a proportion on the through rate.

Q. That is, the 20% reduction stops at a certain point as you go west?

A. That is right. Let us assume, for example, that the rate is \$1 from Halifax to Toronto; and let us assume that the mileage of the select territory is 500 miles, let us say, to Diamond Junction; and that it is 500 miles beyond Diamond Junction to Toronto. Therefore, we would have that territory divided fifty-fifty; and on the rate of \$1, 50 per cent of it would be for the preferred area, and the other 50 per cent would be beyond. So the 20% would apply on 50 cents, which would be a reduction to and from Halifax to Toronto.

MR. O'DONNELL: It is all contained in section 4(b) of the Act. I just wanted to clear that point.

THE CHAIRMAN: Q. But in the case you have just given, where would the reduction apply?

A. From westward only, because the Act does not apply on goods going to the United States. It is only

to destinations in Canada, within the territory and out of it.

(3) The reductions are not to apply on -

- (a) all-rail movements to or from the United States;
- (b) eastbound traffic from points west of Levis and Diamond Junction;
- (c) import traffic;
- (d) export traffic from points outside the "select territory";
- (e) passenger and express movements.

THE CHAIRMAN: Q. In that clause (d), export traffic from points outside the "select territory"?

A. From Montreal, let us say, to Halifax, the Maritime Freight Rate Act is not applicable; but on export traffic.

Q. But it would be on domestic?

A. No, not even on domestic. It does not apply eastbound.

Q. So the word "export" is not necessary there?

A. There is another paragraph, (d), which reads: "export traffic from points outside the 'select territory'.

And in connection with (d), it means export traffic as well; eastbound and local traffic, sir, is not subject to the Maritime Freight Rates Act, nor is the export traffic from points west of Diamond Junction, although, on export traffic within the ~~the~~ Maritimes, the Maritime Freight Rates Act is applicable.

That is to say, let us say lumber originating at Campbellton, New Brunswick -- almost on the New Brunswick border, as you know, sir -- the Maritime Freight Rates Act would be applicable in connection with the movement on that export traffic via the port of Halifax, to the port of Halifax.

Q. It would be applicable?

A. It would be applicable, that is right, sir.

The Act is mandatory on the Canadian National Railways, but is permissive for the participation of other railways in the "select territory."

Among the other important sections of the Act are:
Section 7" --

THE CHAIRMAN: Q. Tell me what is meant by being permissive to the railways?

A. The Canadian Pacific Railway, for example, is not compelled to reduce its rates by 20%, and obtain reimbursement under the Maritime Freight Rates Act.

Q. They may if they want to?

A. They may if they want to, but they have elected to --

Q. Make it a competitive rate?

A. That is right, sir; they have elected so to do, whereas the Act is mandatory on the Canadian National Railways.

"Among the other important sections of the Act are: Section 7 which declares the rates to be statutory and not based on any principle of fair return; and Section 8 which provides for a measure of protection against the "advantages in rates" being rendered nugatory by reductions outside the "select territory."

For example, let us say, immediately after the Maritime Freight Rates Act came into effect, the railway reduced the rate from Toronto to Montreal by 20% or 10% as the case may be to offset the reduction effected by the Maritime Freight Rates Act and the statutory rates. That would not be permissive under Section 8. As an illustration, the rate on points from Retsof, New York, was reduced to points in Quebec after the Maritime Freight Rates Act came into effect. Those rates were implemented from United States points, incidentally, on the New York Central, originating at Retsof. The Board intervened and had those rates cancelled and re-established the level that existed, which I think, speaking from memory, they had on what we call the sixth class basis, which were in effect previously. The rates had been reduced in order to encourage business from Retsof and other points in Northern New York State, and the Board stepped in on complaint, and had those particular rates cancelled because they destroyed the statutory advantages of the Maritime Freight Rates Act. The reduced rates from Retsof had an offsetting effect in regard to the reduction on the rates on salt under the Maritime Freight Rates Act.

COMMISSIONER ANGUS: Q. Would new competitive rates be forbidden?

A. I discuss this further on, Commissioner Angus, in connection with the competitive rate aspects. However, in connection with competitive rates, the Act is applicable if it prejudicially affects and destroys the statutory advantage. That is by reason of the Supreme Court decision in the Potato case. I refer to that case later on in discussing the Maritime Freight Rates Act, and I will give you the reference as well. However, all they could do under Section 8 is cancel the rates that give cause to the

complaint, and if, for example, the railways are endeavouring --

THE CHAIRMAN: Q. What is the effect of the cancellation?

A. It goes back to the so-called normal rate. However, that situation renders that section more or less valueless, because the railways lose that traffic. A further recommendation is made in connection with that; it is too stringent.

Q. There is too much protection, you mean?

A. Well, I do not feel the railways should be tied down. They should give us a corresponding reduction in circumstances of that kind, rather than to have the rate disallowed and not participate in the traffic. Because of this competitive traffic they are obtaining certain revenue that is adding to the cost.

Q. Do you mean to say that now the railways are not allowed to make any reduction at all?

A. No, Mr. Chairman.

Q. Provided it is not so low as to --

A. Prejudicially affect or destroy the advantages.

Q. That is the test?

A. That is the test.

MR. O'DONNELL: Q. In each case?

A. In each case.

MR. O'DONNELL: Mr. Chairman, the case referred to, of Retsof, was a case of the New York Central having put a rate in.

THE WITNESS: That is right; I think I mentioned that.

THE CHAIRMAN: Q. And you say there should be

another way out of all this?

A. Oh yes.

Q. You suggest it later on?

A. I suggest it later on.

If the policies of the Intercolonial - which are now in statutory form - have been rendered ineffectual by changing conditions and the inadequacy of the Maritime Freight Rates Act as drafted to cope with the changes in furtherance of the recognized policies (particularly the policy "to afford Maritime merchants, traders and manufacturers the larger market of the whole Canadian people") then, in order not to have these policies stand defaulted, amendments are necessary to match the effects of changed conditions and circumstances.

MR. FRAWLEY: Q. Where is that quotation from Is that from the preamble?

A. From the preamble, also from the Maritime Freight Rates Act. As I think I pointed out in the previous part, the preamble is in essence or in actual words the Duncan Commission's findings.

(c) After the Maritime Freight Rates Act and the Existing Domestic Rate Structure.

It is the general consensus that the application of the Maritime Freight Rates Act had, at its inception at least, the salutary effect of arresting the adverse trend in the Maritime economy and improving the competitive position of small scale and marginal industries, even though the reductions in some cases did not re-establish rate-wise the relative position that had prevailed before the "levelling-up" process had been

(102)
instituted.

When the Act became effective, the inroads which commercial motor vehicles had been making on railway traffic, particularly in the Central Provinces, had been causing considerable concern to the railways. In fact, a decision had not been reached as to what measures should be taken to meet the growing competi-

(103)
tion. This situation tended to offset the full benefit of the Act from materializing at the time Maritime industry should have been adjusting itself advantageously to the new structure. Yet, if the Act had not been passed, the effects of the growing truck competition in the larger competitive markets of Canada would undoubtedly have worsened the competitive position of Maritime industries and, concomitant with the depressed conditions of the '30's, could possibly have
(104)
jeopardized them irreparably.

(102) It is also possible that some rates re-established on the same relative basis as existed in 1912 would be, in and of themselves, reasonable and compensatory.

(103) See page 22 of Brief.

(104) Mackintosh at page 70 of his study for the Sirois Commission made this observation respecting the depression period - "The income of the Maritime Provinces during the cycle was considerably more stable than that of the other regions. This was due at least in part to the effects of the Maritime Freight Rates Act", etc.

As the depression and increasing competition of other carriers were reflected in the operating revenues, the railroads - in the early '30's - undertook to meet the situation by drastically reducing rates to recoup some of the traffic. This policy was more manifest in the Central Provinces where, for various obvious reasons, competition was keener. As a consequence some of the benefits that had obtained from the Maritime Freight Rates Act were whittled away and, in some cases, the relative position of Maritime industries rate-wise was worse than before the Act. This situation forced some Maritime industries to resort to increased utilization of water carriers in order to retain a share of the Central Canadian markets. The railways implemented seasonal competitive rates between the Maritimes and the Central Provinces to hold some of the traffic. Unfortunately, those competitive rates terminate generally on November 30th each year, and for the period between November 30th and about April 15th the higher rates apply while competitors in the Central Provinces, because of the all-year prevalence of competition, enjoy reduced rates.

THE CHAIRMAN: Q. Have these dates anything to do with navigation?

A. I am going to qualify that, Mr. Chairman. I had a note here. Most or all of the so-called water competitive rates in the central provinces also terminate on the close of navigation. However -- and I am speaking now of section 1 of Canadian National Railways Tariff C.M. 195 -- there are continued a large number or I would say a greater proportion of their competitive rates

to meet motor truck competition, and that is for the whole year.

COMMISSIONER ANGUS: Q. How is that possible, in view of what you told us about section 8?

A. Commissioner Angus, we cannot under section 8, in the light of the potato case, have those competitive rates cancelled or have a corresponding reduction effected, unless we can indicate definitely that we are prejudicially affected. Now, let us assume that between X and Y in Ontario there is a competitive rate, implemented to meet competition, and let us assume also that the rate by truck is lower, and the question of prejudice arises; let us assume that the railways were forced to cancel those rates; let us assume we indicated prejudice. Insofar as the rates are concerned, the question arises as to where the prejudice is if the goods can still move by truck at the reduced rate.

Q. You mean you cannot get the rates cancelled if they are railway competitive rates?

A. That is right. In other words, the Act is valueless where it is a bona fide case of competition, where the rates are bona fide competitive rates.

THE CHAIRMAN: Q. That is, where the trucks would take the traffic if the railways did not.

A. That is quite right.

Q. And the Board has no jurisdiction over trucks?

A. And also under the Railway Act competitive rates are at the discretion of the carriers unless unjust discrimination can be indicated.

MR. O'DONNELL: You are protected if you can show you are prejudiced.

THE WITNESS: That is it.

THE CHAIRMAN: I beg your pardon, Mr. O'Donnell?

MR. O'DONNELL: They are protected if they can show they have been prejudiced by any competitive rate, but they must show it.

THE CHAIRMAN: Even by competitive rates.

MR. O'DONNELL: Yes.

THE WITNESS: That is, rail competitive rate.

THE CHAIRMAN: Q. If the competitive rate does prejudice you it must be cancelled?

A. That is the unfortunate part of it, sir, on section 8 as it reads now, according to the Supreme Court decision.

Q. Do you mean unfortunate because **there** is no substitution, the rate goes back to normal?

A. Goes back to normal. Then if the railways -- and I am quite favourable in this respect, in this matter -- could get some revenue out of those rates over and above their out-of-pocket cost, well, they have lost that, and I do not think it is a good thing that they are not able to get some revenue.

Q. You told us just now that you had a remedy to propose later on?

A. Yes, Mr. Chairman.

Railway traffic in the Maritimes suffered from motor truck competition and the railways were compelled to establish motor-truck competitive rates and other arrangements, including pick-up and delivery service. However, the number of competitive reductions has been considerably less in the Maritimes, attributable in part to the limited

quantum of attractive package traffic and in part to the lower rates under the Maritime Freight Rates Act. It is to be noted that rates reduced to meet competition are subject to reimbursement under the Maritime Freight Rates Act.

A study of carload competitive rates on the Canadian National Railways in the Central Provinces as of August 15, 1947 and March 19, 1949 --

I want to mention the date here, March 19, 1949. These competitive rates are changing all the time, and you have to anchor them somewhere if you are going to make a study of them. Now, the question may arise whether it was fair to take March 19, 1949, in view of the fact that on or about April 15 is about the period when, for example, the water competitive rates are re-established. Is it fair to anchor any study at that particular time? Unfortunately, the time we had available was limited, and it was not with any forethought of taking what we thought would be the better period. We wanted to see what the picture was at the latest date possible, and this study was commenced at that time, and you will notice from volume 2 all the rates that we have there involve a tremendous amount of work, so that was the reason why we took these specific dates, and I think in fairness it should be stated, because there have been considerable changes that have taken place since March 19; there have been some reductions and I think there have been quite a number of increases, and I think that that should be qualified at this point of the brief.

A study of carload competitive rates on the Canadian National Railways in the Central Provinces as of August 15, 1947 and March 19, 1949 indicates average reductions from the normal rates ranging from 18.6% to 34% for mileages as per the subjoined table.

I am going over this table, Mr. Chairman, and I want to incorporate some additions. Table 10 is entitled, "Comparisons Percentage Reductions of Typical Competitive Carload Rates vis-a-vis Typical Normal Rates for Commodities as per Appendices 33 and 46 by Mileage Groupings". Under the heading "Approximate Mileage Groups", under 100 miles, "1947 - % Reduction Competitive Rates to Normal Rates" -- that is the reduction that was put in on a number of items that we checked -- represented a reduction of 29.6% as a typical rate, working in the case between the arithmetic mean and the medium. For the distance of 101 to 200 miles, 30.9%; 201 to 300 miles, 20.5%; 301 to 400 miles, 18.6%; 401 to 500 miles incl., 18.8%; and 501 and over, 26%.

In the next column, "1949 - % Reduction Competitive Rates to Normal Rates" -- there has to be added there, "assuming a 15% increase".

THE CHAIRMAN: Q. What is that:

A. "Assuming the 15% increase".

(Table referred to
set out on following
page.)

TABLE 10

COMPARISONS PERCENTAGE REDUCTIONS OF TYPICAL COMPETITIVE
CARLOAD RATES VIS-A-VIS TYPICAL NORMAL RATES FOR COMMOD-
ITIES AS PER APPENDICES 33 and 46 BY MILEAGE GROUPINGS

<u>Approximate Mileage Groups.</u>	<u>1947 - % Re- duction Comp. Rates to Nor- mal Rates.</u>	<u>1949- % Re- duction Comp. Rates to Nor- mal Rates. X</u>
Under 100 miles	29.6%	34.%
101 to 200 miles incl.	30.9	34.2
201 to 300 miles incl.	20.5	24.5
301 to 400 miles incl.	18.6	23.8
401 to 500 miles incl.	18.8	19.5
501 and over	26.0	29.7

The study revealed also that specific reductions over 40% were frequent, ranging as high as 82%.

X Normal rates increased 15% were used to correlate with railways' proposals.

THE CHAIRMAN: Q. Why do you assume?

A. Mr. Chairman, on September 15, 1948, the railways increased their competitive rates by 15%. At that time, of course, they had their application filed for a 15% interim increase in normal rates or a 20% increase permanently. That application, as you know, is sub judice. The 15% interim application was not countenanced by the Board of Transport Commissioners, and the 20% case was continued, so in making this study we took it assuming on the normal of the 15% increase.

Q. You had assumed that there was a 15% increase?

A. We were assuming that there would be. With

(105) See Tables and supporting data in Appendices 21 to 46 inclusive.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.

1914

1915

1916

1917

1918

1919

1920

1921

1922

1923

1924

1925

1926

1927

1928

1929

1930

1931

1932

1933

1934

1935

1936

1937

1938

1939

1940

1941

1942

1943

1944

1945

1946

1947

1948

1949

all deference, we are not acknowledging that it was justifiable at the present time, but in approaching the study we made an assumption for the purpose of the study of a 15% increase.

Q. So the first figure, 34.5%, assumes an increase?

A. That is right.

Q. Which is really not in effect?

A. Which is really not in effect. I want to qualify that, and I am going to give you percentages based on the regular rates as on March 19, 1949. The columns there will speak for themselves, and are being read into the record: 34%, 34.2%, 24.5%, 2q 23.8%, 19.5% and 29.7%. Now, on the basis of the competitive rates vis-a-vis the **regular** normal rates as of march 19, 20% under 100 miles, 23.7% 101 to 200 miles, 12.8% --

Q. Pardon me; will you please start those again. Which column are you referring to?

A. These are new percentages, Mr. Chairman, that I am incorporating to give the relationship between competitive rates and the normal rates as of March 19th, instead of the assumption we had in the other column.

Q. You are substituting that for the assumed?

A No, I am putting this in as well, sir.

Q. What is it, then? Does it reflect the actual condition?

A. As of that date, sir.

Q. As of March of this year:

A. Of March 19, 1949.

Q. What was it again? How did it commence ?
Under 100 miles?

A. Under 100 miles, 20%.

101 to 200 miess, 23.7%
201 to 300 miles, 12.8%
301 to 400 miles, 13.9%
401 to 500 miles, 9 %
501 and over, 16.8%.

There has been a substantial change there, as you will note, Mr. Chairman.

MR. O'DONNELL: I do not like to interfere or intervene, Mr. Chairman, at this point, but your lordship asked if these rates were in effect.

THE CHAIRMAN: Yes.

MR. O'DONNELL: My understanding is that the increase was 21% to begin with by virtue of the Board's judgment, that an additional 15% was added thereto, making 39%, and that in many cases these competitive rates were increased much more than that. Now, if we are just dealing with an assumption, that is quite all right, but if we are dealing with fact, that is another matter.

THE WITNESS: These rates, Mr. Chairman, in connection with these particular percentages I have given you, have been abstracted from the railway's tariffs as the normal rates as of March 19, 1949.

THE CHAIRMAN: Q. And still prevailing?

A. The normal rates are still prevailing. Now, in respect of the competitive rates, since that time there have been a tremendous number of changes, and it is difficult; you have to pin it down to some particular period.

MR. O'DONNELL: Well, as long as we understand that, that is quite all right. There have been many

changes since March 19, and the position is altogether different, on my instructions.

THE WITNESS: And probably on March 1st the situation will be altogether different from that of March 19th. I want to make it quite clear that these rates are in a fluctuating position, and I want to be quite fair about this and see that the facts are brought out.

THE CHAIRMAN: Q. Is there any use in having this assumption? Can we not have the actual state of affairs? That would be much better. There should not be any mystery about it.

A. No, there should not be. The difficulty there, Mr. Chairman --

THE CHAIRMAN: I mean, here is Mr. O'Donnell, who seems to know what they are, or he ought to know what they are. Can we not be told just exactly what they are?

MR. O'DONNELL: Well, I have not got this computation before me, my lord, but we could get that easily. I got this brief on Friday as I got on the train. I will do the best I can with it in the circumstances.

THE CHAIRMAN: I understand; but instead of proceeding on an assumption of what might be and so on, it would be much better if we had them.

MR. O'DONNELL: Oh, yes; there is no use setting up straw men to knock down; I quite agree.

THE WITNESS: Well, Mr. Chairman, if you

take, for example, the situation as of to-day, two months from now it would be probably altogether different, and twelve months from then if the competition continued it would be probably worse than it is to-day. You have to anchor it down somewhere in order to bring the picture out, and, with the time element we have and the tremendous amount of work, we took March 19 as the time we were working on, and I want to make that clear, sir, that that was the reason for this.

THE CHAIRMAN: I understand.

(Page 3518 follows)

The higher percentages in March, 1949, as compared with August, 1947 are due principally to cancellations in competitive rates which were 13 per cent or less below normal rates when the competitive rates were increased 15 per cent as on September 15, 1948.⁽¹⁰⁶⁾

I also want to point out in that regard that while, on a lot of these rates there might have been reductions of three or four cents, for example, using that as an illustration, the carload minimum of the shipment might have been reduced substantially, on September 15 they raised the rates 15 per cent, and that hit the normal rates, and the normal rates became the applicable rates.

This had the effect of reducing the number of items in the supporting data from 281 to 231. Conversely, any further increases in normal rates would probably increase again the number of items because of the pervasive influence of competition. In other words, this situation is fluctuating from day to day.

THE CHAIRMAN: Q. You talk of any further increases in normal rates?

A Any further increases in normal rates.

Q Increases in normal rates would have to be allowed by the Board?

A That is true, sir, any increases in normal rates, but it would raise the level, and probably might make it such that the trucking company might be induced to go after the traffic when at the present time they might not consider it remunerative.

(106) Additional cancellations and other changes were effected in April this year.

From additional studies of competitive rates in the Central Provinces and the Maritimes there emerge these findings:

(1) Competitive reductions have not only been more extensive but also have been generally greater in the Central Provinces than in the Maritimes.⁽¹⁰⁷⁾

(2) Competitive rates in the Central Provinces have been either lower than rates reduced under the Maritime Freight Rates Act on corresponding originating commodities in the Maritimes for corresponding distances, or considering reimbursements under the Maritime Freight Rates Act, the revenue to the railroads in respect of competitive rates has been generally greater in the Maritimes.⁽¹⁰⁸⁾

I refer to one specific instance. On the competitive rate on livestock, what they call the 10,000 pound minimum, which incidentally has been cancelled, the rate scale in effect in the Maritimes was exactly the same as that in Ontario and Quebec. The scale was applicable for distances of 200 miles, but in addition to the same rates the railways received reimbursement under the Maritime Freight Rates Act to the extent of 25 per cent more than the rate. To illustrate the point, let us take a rate of \$1. The 20 per cent reduction would bring that down to 80 cents, so to the normal rate therefore \$1 is 25 per cent more than 80 cents.

COMMISSIONER ANGUS: Q. The Maritime Freight Rates Act in fact subsidizes the railways against the trucks?

⁽¹⁰⁷⁾ Appendix 48. Also Appendices 33 and 46.

⁽¹⁰⁸⁾ Appendix 49.

A That is what it amounts to.

(3) Competitive rates from the Maritimes to the Central Provinces have applied on only a limited number of commodities. Moreover, these reduced rates, contrary to the situation in the Central Provinces, generally apply only during the season of open navigation.⁽¹⁰⁹⁾

(4) From Central Canadian points competitive rates also have applied during the season of open navigation on a limited number of commodities, including principally grain and grain products, canned goods and paper.⁽¹¹⁰⁾

I might point out in connection with grain and grain products that effective the first week in July - the specific date escapes me - there are increases to a large number of points. In some cases the rates remain the same. I think from Fort William to Halifax, for example, the rate will remain the same, but there have been some increases. These competitive rates were subject to an expiry date. I think it was June 30. On or about June 27 the tariff was issued and the increased rates became effective on or about July 2 or 3. As I said before, the exact date escapes me. I am informed it is July 2.

In connection with these rates that are subject to an expiry date, while you might say you have thirty days notice or more than thirty days notice in regard to those rates, in effect if they have been in for a considerable period of time, like some rates have been at times,

⁽¹⁰⁹⁾ Appendix 50.

⁽¹¹⁰⁾ Appendix 51. Note - competitive rates from Ontario and Quebec points to Maritime destinations were not re-established in 1949.

there is more or less of an assumption that they probably will be reimplemented at the end of the terminating date. I did not know anything about these increases in rates until I received an advance copy of the Canadian National and Canadian Pacific tariffs. I do not think I had an advance copy of the Canadian Pacific. I received that about the end of June. I don't know whether the grain people were notified or not of the changes, but in so far as our Commission, which is actively interested in these things, we did not receive any notification. I think this is a most important point, and I think the opportunity presents itself to stress it here. As to any rates that are subject to an expiry date I think in fairness to the shippers and to the organizations that are interested, even if it involves, for example, using the Canadian Freight Association mailing list in connection with classification changes, they should be notified so that any questions requiring adjustment, where a rate might have detrimental consequences, may be brought to the attention of those concerned, those who are interested, in order that discussions may be held with the railways before the die, so to speak, is cast.

THE CHAIRMAN: Q. How much notice do you think would be reasonable?

A I think thirty days notice is reasonable. You see the railways themselves probably knew about this, that they were intending to change these rates, a month or two or three weeks beforehand, because they have to get their tariffs printed. They come to a decision. They have come to a decision probably in a meeting with the Canadian Freight

Association. Undoubtedly they hold a meeting with the Canadian Freight Association, and the representative railroads say, "We are considering increasing our rates." That must have taken place. It takes considerable time to have the tariffs printed, and they must reach an agreement before that. I would say that thirty days would be ample notice to notify the various parties involved or concerned that this action is to be taken.

I also feel, while you raise the point, Mr. Chairman, that in regard to any general rate revision the practice that is carried out by the freight tariff bureaus in the United States might be followed. They communicate with the interested parties or advertise that they are going to make certain changes, and anybody interested can appear in connection with that particular docket of this freight bureau.

Q Does that apply to changes downwards as well as upwards?

A I believe mostly in connection with increases upwards. I do not think it has any bearing in connection with the downward. I believe in so far as the United States practice Mr. Knowles of your staff is probably more conversant with that than I am. While I have been invited to attend some of these bureau sessions in the United States I had no sufficiently good reason to attend them. I waited until what developed - let me see - I think I have had occasion to submit my views to another party to discuss and to watch our interests, and so on. I never attended one of those dockets.

MR. O'DONNELL: My instructions are that it

apply both ways, changes up and down.

THE WITNESS: I was not quite sure about reductions.

MR. O'DONNELL: I am informed that is a fact. While we are on this matter of the grain rates --

THE CHAIRMAN: What is the machinery? What are the requirements?

MR. O'DONNELL: That these notices are given up and down, both ways. A traffic bulletin is sent out to the interested parties. While we are on the grain rates --

THE CHAIRMAN: What is the length of notice? How many days?

MR. SINCLAIR: They pay for the service.

MR. O'DONNELL: They subscribe for the traffic bulletin. They pay \$100 a year for the traffic bulletin. Anybody who is interested can get that by subscribing.

THE CHAIRMAN: You say that notice must be given. The question arises how much notice?

MR. O'DONNELL: I do not know the details of it. It was just in reply to your question, Mr. Chairman, as to whether it works both ways, and it does down there. While we are on the matter of the grain rates, my instructions are that the shippers were advised in advance of these changes, and that in fact they complained to the Board of Transport Commissioners concerning them and asked that they be suspended, and the Board of Transport Commissioners refused to suspend them. Ample notice was given to the shippers in this case.

THE WITNESS: I do not want to get into an argument with my friend, Mr. O'Donnell --

MR. O'DONNELL: I do not want to either.

THE WITNESS: But at the same time we are very much interested in these rate changes inasmuch as we are also consumers down here of a large quantum of grain products, and since our organization, which is known or should be known by the railways as it has been functioning for the last twenty years, since 1925, twenty-four years, we think we should have been at least notified of the proposed changes, and not just by the tariff that we get only a day or so before they become effective.

COMMISSIONER INNIS: Q. Do you regard the railroads as secretive or negligent or neutral?

A No, I would not say that they are. I think sometimes it is really a case of, 'Well, I don't think they would be interested in this particular matter.' I have found them very cooperative in connection with our set-up in regard to notices. As a matter of fact, I am on the Canadian Freight Association Shippers' Advisory Committee myself, and although we do not have as many meetings as I think there should be in connection with these matters where shippers' representatives should attend, I feel that there should be a more extensive basis of that kind so that in the event there was some grouping that might not be in line down here we would have an opportunity before the rates come in. Whether we got anywhere or not, it would at least give us that opportunity to make our opinion known, and to have it on the record. In the event that we wanted to take further action on it we would be in a position so to do. That is what I want to make clear. I do not think they are trying to hide anything.

MR. O'DONNELL: Q. They give you the advance tariffs before they come out?

A I mentioned that. The Canadian National do give me the advance tariffs at the same time that their agents get it in the Atlantic Region, probably a day or so before some of the agents who are down in Sydney or in Yarmouth.

MR. FRAWLEY: Q. Are the consumers ever notified as distinguished entirely from the shippers?

A In that regard, Mr. Frawley, so far as the consumers are concerned, when we are notified of an impending rate change which we think may be of interest to any community, we have on our mailing list boards of trade, the secretaries, and so on, and various shippers and individuals that we contact and notify them. We have to use a lot of discretion; otherwise we would be sending out reams and reams of mimeographed copies, but we notify these particular parties that we think will be affected, and who are interested, or who have lodged a complaint with us previously.

Q That is a very nice service for your Association to give, but I am talking about the railways. Do they undertake at all to notify the consumer in the last analysis rather than the shipper, the consumer of a bushel of grain? That is what it gets down to.

A There is a bushel of flour.

THE CHAIRMAN: I suppose Mr. Frawley means the consignee.

MR. FRAWLEY: Of course, the receiving element. I am talking about other things than grain. My friend, Mr. O'Donnell, talks about grain. I am talking about all

kinds of changes. You will remember, Mr. Chairman, that in the west when the rates on pedigreed livestock and on fair livestock were changed, the farmers on the farms did not know about it at all.

THE CHAIRMAN: Are you considering the individual farmer on the farm as a shipper or a consumer?

MR. FRAWLEY: As a consumer, and as a shipper in the case of this livestock. It could very well be as a shipper also in that case because in that particular instance he was the shipper. I am raising the question in a rather larger way. I am talking about the consumers of commodities all over Canada. What notice do they get of any increase or decrease in freight rates? It is absolutely an unknown world to them.

MR. O'DONNELL: They are not much interested.

MR. FRAWLEY: My friend says they are not interested.

THE CHAIRMAN: Have you any suggestion to make?

MR. FRAWLEY: That is the difficulty of making these interruptions. I thought that while the matter was being discussed I would interject these remarks.

THE CHAIRMAN: You intend to make a definite suggestion?

MR. FRAWLEY: Yes, when we are discussing the functions of the Board, and that sort of thing. Surely the public interest should be considered as distinguished from the world of shippers and railway people. Surely the public should know about these increases and decreases, the people whom I represent, whom Mr. Shepard represents, whom Mr. MacPherson represents, whom Mr. Smith represents,

the people.

THE CHAIRMAN: I suppose **you** say they ought to know in order that they may take certain action.

MR. FRAWLEY: Quite so, in the public interest as was done in connection with this very case, the 30 per cent increase which brought the seven provinces into the matter on behalf of the people of those provinces.

THE CHAIRMAN: We will hear you when the time comes.

THE WITNESS: (5) Competitive rate reductions in the Central Provinces have increased the rate disadvantages of Maritime industries in the principal markets of Quebec and Ontario. (111)

To save time, I have referred to all of these appendices without entering into detail. We have some extra copies. We will file volume 2 as an exhibit if that is desired. Later on I may refer to some of the rates in connection with export and import rates, but generally speaking I will just file these instead of making further reference to them.

MR. COVERT: Perhaps we had better give that an exhibit number now. Volume 2 of the brief submitted by the Transportation Committee of the Maritime Board of Trade will be Exhibit 47. We might also make a note that wherever there is a reference to a footnote in volume 1 of the brief that refers to the appendix number given in the footnote in exhibit 47.

EXHIBIT NO. 47: Volume 2 of brief of Transportation Commission of Maritime Board of Trade.

THE WITNESS: Moreover, since the Maritime Freight Rates Act applies only to the "select territory" portion of the through rates the percentage reduction decreases as distance increases, as indicated in the following first class rates as increased 21 per cent on April 8, 1948:

TABLE II

FIRST CLASS RATES

(In cents per 100 lbs.)

	<u>To Montreal</u>			<u>To Toronto</u>		
	<u>Normal</u> <u>Rate</u>	<u>M.F.R.A.</u>	<u>%</u>	<u>Normal</u> <u>Rate</u>	<u>M.F.R.A.</u>	<u>%</u>
Saint John	122	106	13.12	139	126	9.36
	<u>To Winnipeg</u>			<u>To Vancouver</u>		
	352	338	3.98	697	682	2.16

It therefore follows that, except in cases in which competitive rates have been effected from Maritime points, the percentage reductions as established by the Maritime Freight Rates Act are considerably lower than the typical percentage reductions that have been implemented in the Central Provinces to meet motor truck competition. (See Table 10).

The Board of Transport Commissioners has repeatedly held to the effect that under the Railway Act competitive rates are discretionary with the carriers, providing the rates are not unjustly discriminatory and there is a compliance with the Act in respect of notice and publication.

Competitive rates in relation to the application of the Maritime Freight Rates Act have also been the subject of references to the Supreme Court of Canada. This Court has held to the effect that:

- (1) The railways are entitled to reimbursements under the Act in connection with rates established

since July 1, 1927, to meet "new industrial and traffic conditions" (including competitive rates. (112)

That is contained in section 3 (2) (c) of the Maritime Freight Rates Act. Perhaps I should read that particular section at this point.

THE CHAIRMAN: Q. What is the section?

A 3 (2) (c). It reads:

"3 (2). The Board of Railway Commissioners, hereinafter called the Board, is authorized and directed to

(c) Adjust or vary such substituted tolls or rates from time to time as new industrial or traffic conditions arise, but always in conformity with the intent of this Act as expressed in sections 7 and 8 and other relative sections hereof."

Q Oh, it is section 3?

A Yes, Mr. Chairman, section 3 (2) (c). The reference in the footnote is to 41 Canadian Railway Cases, at page 56.

(2) Competitive rates established outside the "select territory" are subject to Section 8 of the Maritime Freight Rates Act "when such tariffs prejudicially affect" the statutory advantages, but the Board's powers are limited only to disallowance of "any tariffs which may destroy or prejudicially affect such advantages" established by the Act. (113)

(112) 41 C.R.C., p. 56

(113) 46 C.R.C., p. 161

Q What is the case?

A 46 Canadian Railway Cases.

Q What is the name of the case?

MR. O'DONNELL: Province of Nova Scotia versus the C.N.R. et al.

THE WITNESS: Not the particular case referred to in footnote 113. That is the so-called potato case.

THE CHAIRMAN: What page?

THE WITNESS: 46 C.R.C., page 161, the Transportation Commission of the Maritime Board of Trade versus the Canadian National Railways, the C.P.R. et al.

MR. O'DONNELL: When it reached the Supreme Court it was under the heading of Province of Nova Scotia et al versus the C.N.R. et al.

THE CHAIRMAN: Q. There was an appeal in this case to the Supreme Court?

A That is right.

Q Where is the appeal found?

MR. SINCLAIR: It was on leave, Mr. Chairman.

THE CHAIRMAN: Q. That is the appeal?

A It is the appeal I give you.

Although the Maritime Freight Rates Act, as interpreted, is applicable to competitive rates outside the "select territory" if such rates prejudicially affect or destroy the statutory advantages, the Act is valueless if the rates are bona fide competitive. Their disallowance would be more compatible with the purpose and intent of the Intercolonial Railway as summarized in the Preamble if Section 8 read as follows:

"The purpose of this Act is to give certain

statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia, and Prince Edward Island, and in addition upon the lines of the Province of Quebec mentioned in Section two, together hereinafter called 'select territory' "--

In place of the words in section 8 at the present time substitute the words:

"--accordingly the Board is authorized and directed to adjust or vary such statutory rates when it is evident such adjustments are necessary by any tariff or new industrial or traffic conditions" -

Q What does the word "tariff" mean? Customs tariff?

A No, freight tariff, Mr. Chairman.

Q "By any freight tariff"?

A "By any freight tariff."

"--which may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such 'select territory.'"

MR. COVERT: Perhaps I might add a little clarification. You might write on the margin of your briefs the words, "shall not approve nor allow any tariffs." Those words are in the old Act. They are deleted, and he substitutes all the words after the word "Board" in the sixth line down to the word "conditions", ending with that word, four lines below.

THE CHAIRMAN: Yes, I have the Act here.

Q. Yes, I have the Act. What is that section?

A. That is section 8.

Various other questions were raised pertinent to the application of the Maritime Freight Rates Act which have a bearing on the existing structure. The principles established by the other decisions, orders and rulings are summarized as follows:

MR. FRAWLEY: Q. Are these references, 68, 69 and 70, all references by the Board to the statute?

A. No, there is one other. I think, right offhand, about 1923 there was the Provincial Oil case, the Bridgewater case. But these are the more pertinent ones which deal with the general principles.

As a matter of fact, in connection with the Bridgewater case, there might be an appeal to the Supreme Court of Canada in regard to that decision.

MR. O'DONNELL: But that was some years ago and there has not been an appeal yet.

THE WITNESS: We will discuss that when we come to it.

MR. FRAWLEY: Q. What was the Malagash Salt case?

THE CHAIRMAN: Q. You have a December 27, 1927, Malagash, Nova Scotia, listed there?

A. There were two Salt cases. I do not know which one Mr. Frawley wants.

MR. FRAWLEY: Q. The more recent one.

A. I have got that here.

THE CHAIRMAN: Mr. Frawley, if you find that there are other cases which it would be advantageous to have included here, would you let us know?

MR. FRAWLEY: I am sorry, Mr. Chairman, I should not have asked.

THE CHAIRMAN: Will you proceed then, Mr. Matheson?

THE WITNESS:

June 17, 1927 - Order No. 39197 - Board of Railway Commissioners disallowed proposed cancellations of special rates on pulpwood which were to become effective on June 27, 1927, four days prior to the effective date of the Maritime Freight Rates Act. (XVII J.O.R. & R., p.78).

The Canadian National Railways increased the rates to become effective on or about June 27, 1927, on the ground that they were competitive rates and should not be subject to the Maritime Freight Rates Act. But the Board of Transport Commissioners held that they were not competitive rates and that those rates should be subject to the Maritime Freight Rates Act, and the action taken was disallowed by this particular order.

THE CHAIRMAN: Q. You say that the Board ordered that they were not competitive?

A. That is right.

Q. But if they had been competitive rates, they would not have been subject to the Act?

A. The point arises that these were rates which would have been subject to a terminating date, but would have gone out anyway.

Q. You mean, gone out unless they were renewed. These competitive rates do not always expire on a certain date?

A. Unless the railways have it in mind to re-issue them.

Q. Yes.

A. I do not know exactly what the position would have been if they had been indicated as competitive rates. The railways argued that these were competitive rates and that it was discretionary with them, and that they could take them out or leave them in, as they saw fit. I am not admitting that if they had been competitive rates, and indicated as such, that the Board would not have allowed them to be taken out.

Q. But the Board held that these were not competitive rates?

A. That was one of the findings, that they were not competitive rates.

MR. O'DONNELL: Q. The Act was about to come into force, and they were holding them until the Act did come into force.

A. These rates were reduced 20% as they had previously existed.

June 18, 1927 - The Board issued Circular 213 interpreting the application of the Act to companies other than the Canadian National Railways. (XVII J.O.R. & R., p. 81).

June 21, 1927 - The Board ruled that competitive summer rates and proportional competitive rates may be reduced under the Act. (Board's File TD-14104).

THE CHAIRMAN: Q. This means that in this special case the Act did not adopt the recommendation of the report?

A. The Duncan Commission did not specifically recommend that the gateway be left open. There had been

existing for two or three years prior to that time, a controversy over shipping goods via the Canadian Pacific to Ontario and Quebec. And the Board held that the gateway should be left open under the Railway Act; and that controversy had been raging at the time that the Duncan Commission made its investigation; and evidently it was brought to their attention.

And in the Duncan Commission report, I want to make it clear, Mr. Chairman. And at page 23 therein, at the end of the first paragraph, I read:

"Considerations such as attach only to individual claims, or to the general question as to whether or not railway companies should give better treatment than they are giving to long distance traffic, particularly on natural products and associated enterprise, and to export and import rates from and to points outside the Maritime area passing through Atlantic ports, are still open for review by the Railway Commission. So also is the question of the retention of open gateways at St. John and Ste. Rosalie Junctions, the importance attaching to which was impressed upon us in relation to maritime trade."

That is the reference, Mr. Chairman; so there was no recommendation one way or the other, other than that.

Q. Other than what you might infer?

A. That is right.

December 16, 1927 - The Supreme Court of Canada held to the effect that the Railway Board has no jurisdiction to order rate reductions under the Maritime Freight Rates Act on freight routed to

the west from points on the C.N.R. via Saint John and thence over the C.P.R. on which reductions under the Act are optional, but may order reductions on such freight routed via Ste. Rosalie which is/^ajunction point of the C.N.R. and C.P.R. west of the territory affected by the Act. (It evidently was not the intention of the Duncan Commission that the Saint John and Ste. Rosalie gateways should be closed, but the Act as drafted failed to provide for the open gateway via Saint John - See page 23, second paragraph, Duncan Commission Report). (34 C.R.C., p. 223).

December 27, 1927 - Board's Order No. 40081 -- The Board ordered a joint rate on salt from Malagash, N.S., to Temiskaming, Quebec, and provided for divisions of the rate as between the C.N. Rlys, and the C.P.Rly Co. (XVII J.O.R. & R., p. 581).

December 5, 1928 - The Board ruled that "the Act is not for the benefit of manufacturers or producers of other countries . . . consequently if the carriage of goods from Halifax, Saint John or other eastern Maritime ports of entry, to destination, be in completion of the delivery made by the producer or manufacturer of another country, such carriage is not within the meaning of the Act."

"When such goods eventually reach their destination within the 'select territory', movements therefrom throughout Canada are preferred movements."

(Ruling on file Offices of Maritime Transportation Commission).

As an illustration, we imported from Halifax, tea from the Far East. It is packed at our packing factories in Halifax and Saint John; and on subsequent movement throughout Canada it would be subject to the Maritime Freight Rates Act.

COMMISSIONER INNIS: Q. In December 27, 1927; does this mean that the Canadian Pacific Railway had no option, as was the general case?

A. This is a salt rate.

Q. It says:

"The Board ordered a joint rate on salt from Malagash, Nova Scotia, to Temiskaming, Quebec, and provided for divisions of the rate as between the C.N. Rlys and the C.P. Rly Company."

Does this mean that the Canadian Pacific would be in an optional position, but in this case it was not?

A. In this case there was some question over the division of this point, Temiskaming, on the Canadian Pacific Railway. And the major point I had in mind in regard to that was that the Board stepped in, under the Maritime Freight Rates Act, in providing a through rate, and divided or prescribed the divisions. I believe the chief point of controversy at the time was what proportion the Canadian Pacific was to get vis-a-vis the Canadian National.

Q. But the Canadian Pacific had already chosen; it had elected?

A. I think that was the point, and it was a question of how it was to be divided. The major reason for putting this here was to show that, in relation to the Railway Act and the Maritime Freight Rates Act, the Board did step in

in applying the Maritime Freight Rates Act, which would have something to do with the division in connection with the reduced rate, and so on. That was the major reason for that, Dr. Innis.

THE CHAIRMAN: Q. On the next reference, this is the only reference you give us; there is a ruling on file offices?

A. The Maritime Transportation Commission.

Q. It is not reported elsewhere?

A. You will find it on the files of the Board of Transport Commissioners.

MR. O'DONNELL: Q. You wrote a letter to the Board, and they replied to you?

A. That is right. If you wish to have copies of these different rulings from the Board, I would be only too pleased to have them submitted.

THE CHAIRMAN: In so far as they are reported cases we could get them. But in a thing like this, I do not know what access we would have to them, to the office files of the Maritime Transportation.

THE WITNESS: You can get them at the Board of Transport Commissioners, if you wish. What is your wish on that?

THE CHAIRMAN: I just noticed, under this reference of December 5, 1928, that is not a reported case.

THE WITNESS: Do you wish this Commission to send it in to you?

THE CHAIRMAN: Mr. Covert can see about it. He will know.

THE WITNESS: November 6, 1929 - Board's Order No. 43767 - The Board disallowed under Section 8 of the Maritime Freight Rates Act

reduced rates on salt to Cornwall and Ottawa, Ontario, from Retsof, Halite and Watkins Glen, New York. (XIX J.O.R. & R., p.339.)

That is the case I referred to previously.

March 25, 1930 - Board's Order No. 44482 - The Board authorized re-imburesements to the D.A.R. under the Act in respect of wharfage charges at Halifax, N.S., which had been absorbed in the normal rates. Note - There have been numerous orders establishing "normal" rates for the purpose of re-imburement to the railways. Order No. 44482 is indicative of the effect of the Act in preserving arrangements that had prevailed when the Act became effective.

(Order on file Offices of Maritime Transportation Commission).

This order is on file at the Office of the Maritime Transportation Commission, but it is also attainable at the office of the Board of Transport Commissioners.

January 5, 1931 - Twenty per cent Reduction Case - The case on complaint pertained to previous rulings of the Board in respect of the proper method to be pursued in arriving at the correct computation of "approximately twenty per cent" reduction in compliance with the Act. The Board confirmed its previous rulings that the proper method of computation to points in Canada beyond the "Eastern lines" is, that the distance from point of origin to point of destination should be compared with the distance from point of origin to Diamond Junction and the through rate proportionately

divided on the basis of these two distances, and from the whole rate a 20% reduction to be made on the proportion attributable to the haul from the point of origin to Diamond Junction.

(37 C.R.C., p. 354.)

June 8, 1933 - The Supreme Court of Canada interpreted Sections 7 and 8 of the Maritime Freight Rates Act as follows:

"By force of s. 7, the tariffs of tolls 'provided for' in the Act 'shall be deemed to be statutory rates' and are to be deemed to be 'rates not based upon any principle of fair return to the railway for services rendered in the carriage of traffic.' Accordingly, these rates must not be taken into account in determining the 'reasonableness' of 'other rates.' By s. 8, the 'purpose of this Act' is explicitly declared to be the purpose of giving 'certain statutory advantages' in respect of charges for railway transport . to the 'persons and industries' in the select territory; and the Board is expressly prohibited from approving or allowing any tariffs which may 'destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.'

I think, perhaps, at this time, I should refer to the so-called "Alternative Routing" case, which is reported in 34 C.R.C. at 227.

THE CHAIRMAN: Q. What is the name of that case?

A. It is known as the Alternative Routing case and it is reported in Volume 34, Canadian Railway Cases, page 207

Q. That is a decision of the Board?

A. This is the Supreme Court speaking now, sir;
and I read therefrom at page 227, as follows:

"As appears from recitals and declarations in the preamble and in the body of the Act, the statutory rates, whether compulsory under ss. 3 and 4, or noncompulsory under s. 9, are envisaged by the statute not as providing a fair return for railway services, but as arbitrary rates, established with the design of affording special 'statutory advantages to persons and industries' in the 'select territory;'"

"Shippers, in Nova Scotia, of apples, for example, destined for Montreal, are to enjoy the reduced rates which are to go into effect immediately on the passing of the statute (rates 20% below the existing rates); and to the extent of this reduction the Board is required to maintain a 'discrimination between' (Railway Act, s. 314) the select territory and other localities where apples are produced and shipped - the apple districts of Ontario, for example, and British Columbia. " . . . the Board is required to act 'always in conformity with the intent of the Act as expressed in sections 7 and 8.' The 'intent of the Act as expressed' in these sections, which is to govern the Board in effecting or sanctioning such variations and adjustments, is that persons and industries in the select territory, as to the 'preferred movements' are to enjoy a statutory preference of 20% in respect of railway rates over persons, and

industries 'located' elsewhere."

(41 C.R.C., p. 56 @ pages 71 and 72.)

April 21, 1937 - In its decision in the so-called Potato Case the Supreme Court of Canada stated as follows: "One of the main contentions of the appellants assumes that the onus of establishing prejudice rests always upon the shipper or the complainants. We do not think that this is so. The Board itself is an administrative body with very wide experience and assisted by a skilled technical staff and is invested with administrative as well as judicial powers and duties; and, when a complaint is presented to the Board that any particular tariff constitutes an infraction of s. 8, it is the duty of the Board to determine the question of prejudice or non-prejudice, always keeping in mind that it is the intention of the Act to maintain the statutory advantages in rates given thereby to persons and industries located in the select territory."

(46 C.R.C., p. 161 @ p. 164.)

July 29, 1941 - The Board ruled that the Maritime Freight Rates Act was applicable to the rail movement of paper commodities for export from Edmunston, N.B., to Halifax, N.S., and Saint John, N.B., even though the paper originated at Madawaska, Me., and was trucked to a Canadian plant for subsequent shipment. (Ruling on file Offices of Maritime Transportation Commission).

I, inadvertently, overlooked the Malagash Salt Case.

MR. SMITH: It has nothing to do with this. It was a question of unjust discrimination. It had nothing to do with the Maritime Freight Rates Act.

THE WITNESS: The only point there was about the raising of the rates in relation to the Act.

MR. SMITH: The Wartime Prices and Trade Board.

THE WITNESS: Yes. So that is not really applicable here.

February 5, 1947 - In the case of the Summerside Board of Trade v. C.N.Rlys., the Board stated to the effect that since the carriage of trucks on the P.E.I. car ferry is not treated as freight traffic but as part of a passenger movement, the Act does not apply to the charge for the truck ferry service. (60 C.R.T.C., p. 274.)

March 30, 1948 - In the 21% Case the Board of Transport Commissioners held that "the Board has power to allow a general increase in freight rates under s.s. (2) (b), Section 3, if it finds that the cost of railway operation in Canada has increased in any substantial degree since July 1, 1927," ("Section 3" added), and with reference to the question of increased cost of operation it was stated that "the Board has . . . power to investigate and ascertain the facts itself and to make a finding based upon the results of such investigation." (62 C.R.T.C., p. 1 @ pages 61 and 62.)

I am going to refer later on to that particular section.

COMMISSIONER INNIS: Q. Coming back to page 69 and your reference to the April 21, 1937, decision, has the Board stated its views as to the position of the Supreme Court in this matter? Does it accept the burden which is imposed on it?

A. In actual practice, Dr. Innis, I would say that they are probably not altogether in agreement with that; but that is up to the Board to say.

We had a case. I am referring to the complaint regarding paper, referred on July 29, 1941. And the Fraser Company at Edmundston was desirous of having this matter raised on a written submission rather than having to go to the expense of appearing before the Board and going through a whole case. But the Canadian National Railways wanted the matter set down for hearing; and the Board took the stand that where one party had requested a hearing, that they would, therefore, proceed with the hearing.

One of the points argued at that time was that the Board had sufficient power to say: We will go ahead and settle this matter on a written submission. If this point was correct, they could act on their own motion and go right ahead and settle the matter. But where one party requested a hearing, the Board felt that it was necessary to go ahead.

Q. Do you think they would have been quite willing to assume these administrative duties?

(Page 3555 follows)

THE WITNESS: That is my interpretation, in the light of that particular point. I would read into the record, Mr. Chairman -- I have the material with me, but it will save time if I look it up during the lunch hour, and I will refer to the correspondence with the Canadian National Railways on that point and what the Board's reply was to me, and I think that will show that my interpretation of that was that they did not assume that they could act on their own motion.

MR. O'DONNELL: If I might interject this, I think, my lord and members of the Commission, that the duty of the Board is clearly set out in the Supreme Court judgment. Now, just how they carry it out as a matter of procedure is something with respect to which they have considerable freedom, and if they consider that it is necessary to hold a hearing they hold a hearing, if they think they can dispose of it without it they have regulations as to notice and so on which they give, but the Board has no option but to carry out its duty, and I think the judgment in that particular case indicates very pointedly that it has that obligation even though nobody complained and the matter came to their attention. They must act; that is their obligation.

COMMISSIONER INNIS: But there seems to be a strong feeling that that is not the case. If you take this statement with regard to April 21, 1937, one of the main contentions of the appellants seems to be that the onus of establishing prejudice rests

always upon the shipper.

MR. O'DONNELL: Yes, and the Supreme Court said that was not the case, and the appellants in that were the provinces, of course. They were contending that the burden was always on them, and the Supreme Court says that is not right, the burden is not on them. The onus is on the Board as an administrative body to carry out its duty, which is to see that these things are properly attended to, and if any matter is brought to its attention it must act, and the onus is not necessarily on the shipper, as the provinces had contended. They indicated, I think, that it was very difficult to establish the case, and so on.

THE CHAIRMAN: That was 12 years ago, April 1937.

MR. O'DONNELL: Yes, my lord.

THE CHAIRMAN: Does experience since show that the Board has complied with that?

MR. O'DONNELL: Oh, I think so, very definitely.

(Page 3557 follows)

THE WITNESS: Apropos of your point, Dr. Innis - I do not want to get into controversy with my good friend Mr. O'Donnell just at the moment -- here is a communication to the Board dated February 5, 1941. I shall have to trace my reply; I think I have it here. Here is my letter :

"Mr. P. F. Baillargeon

Secretary

Board of Transport Commissioners for Canada

Ottawa, Ont.

Dear Sirs:

"The attention of this Commission has been called to several instances in which applications were made to your Board for a decision or ruling under the Maritime Freight Rates Act on written submissions, but no action thereon was taken by the Board because the railways pressed for an open court on the points involved, under Section 19 of the Railway Act, contrary to the wishes of the applicants. Resultantly, the applications have either been left open or have been dropped by the shippers because they were either unable to finance action or were loathe to be involved in an open rate case.

"In this connection there is involved the question as to whether or not it is necessary to have an open hearing on some of the complaints under the Maritime Freight Rates Act that are submitted to the Board in view of the previous interpretative decisions and rulings rendered by both the Board and the Supreme Court of Canada

"on similar and identical points. Moreover, attention is called at this point to the decision of the Supreme Court of Canada in the 'Potato Case' in which it appears that a direction is given to the Board of Transport Commissioners to decide a case if the shipper party thereto was not willing to have the matter set down for a hearing. The pertinent section of the Supreme Court decision reads as follows:

"One of the main contentions of the appellants assumes that the onus of establishing prejudice rests always upon the shipper or the complainants. We do not think that is so."

That is the part I just referred to, that I quoted, and to which Dr. Innis directed his attention.

"It might now be asked: What stand would the Board take, on the other hand, if the shippers desired a hearing and the railways did not under the Maritime Freight Rates Act?

"Section 11 of the Maritime Freight Rates Act provides that the 'Board may hear and determine all questions arising under the Act'. It is patent, therefore, that the Board 'may hear' or decide on a written submission any complaint made to it under the Act. Be that as it may, a complainant or a defendant should be given the benefit of a judgment or ruling if it is desired on the part of either to allow the case to rest on a written submission, particularly when the principle involved has been included in a previous

decision, and this is to be so whether or not the defendant or complainant desires a case to be argued in an open session. In the event the defendant or complainant should desire an open hearing, what is there to prevent him under the Railway Act or Maritime Freight Rates Act from presenting his views verbally before the Board without in any way obligating the other party to the case or weakening the case of the non-appearing litigant?

"As a result of the representations that have been made to this Commission, it was decided to refer this matter to the Board, recommending that the Board take action on any application made to it on a written submission under the Maritime Freight Rates Act if the complainant is desirous of having disposition effectuated on written submission only, regardless of whether an open court is demanded by the defendant under Section 19 of the Railway Act; such procedure, however, not to preclude verbal presentation in the case of the second party if so desired. Moreover, it is requested that the Board give consideration to the issuance of interim orders or rulings in instances of this kind.

An early reply would be appreciated."

That was on February 5, 1941. The Board's reply to me, dated February 18, 1941, reads as follows:

"Dear Sir:

File 34822 - Re Maritime Freight Rates Act, 1927

"In further reference to your letter of February 5, 1941, in respect to requests for decisions or rulings by the Board under The Maritime Freight Rates Act and the right of the parties concerned to a public hearing in regard thereto, I am directed by the Board to reply to your inquiries as follows:-

"Section 11 of The Maritime Freight Rates Act, 1927, provides:

"The Board may hear and determine all questions arising under this Act subject to such right of appeal as are provided in the Railway Act.'

"Section 19 of the Railway Act deals with the conduct of sittings by the Board. The proviso to Subsection 2 of Section 19 reads as follows:-

"Provided that any complaint made to them shall, on the application of any party to the complaint, be heard and determined in open court.'

"In respect to the right to have a complaint heard in open court, it is clear that there can be no distinction between a shipper and a railway in that regard. Such right is, by Section 19 referred to above, given to 'any party to the complaint', and if any party to a complaint applies for a hearing, he is entitled, as of right, to have the case heard in open court.

"The practice of the Board, where a public

"hearing has been requested by any party to the complaint, is to set the complaint down for hearing in open court, due notice of which is given to all parties concerned. If one of the interested parties after notice given fails to appear, the Board may proceed with the hearing and determine the question in his absence.

"In complaints made under The Maritime Freight Rates Act, you suggest that a complainant or defendant should be given the benefit of a judgment or ruling, if it is desired on the part of either to allow his case to rest on a written submission whether or not the complainant or defendant desires the case to be heard in open court, without in any way obligating the other party to the case or weakening the case of the non-appearing party."

THE CHAIRMAN: Would you please read that last part again?

THE WITNESS: "In complaints made under The Maritime Freight Rates Act, you suggest that a complainant or defendant should be given the benefit of a judgment or ruling, if it is desired on the part of either to allow his case to rest on a written submission whether or not the complainant or defendant desires the case to be heard in open court, without in any way obligating the other party to the case or weakening the case of the non-appearing party."

THE CHAIRMAN: Q. That was your proposal; when they go on to answer that?

A. That is right, sir.

"While it is usual for all parties interested in a complaint to appear at a public hearing, they are not compelled to appear. What you suggest may be practical where the facts are admitted, or are not in dispute," --

And I might say that in the condition that gave rise to this particular matter, the facts were not in dispute.

MR. SINCLAIR: Q. According to your view or that of both parties?

A. That is quite right, Mr. Sinclair, but I hope I do not have to take the time to go through all --

MR. O'DONNELL: The railway did not agree with your view, and they asked the Board for a hearing.

THE WITNESS: I want to make my view clear too. ".....but where facts are in dispute or not completely stated in the written submissions of the parties and further evidence is adduced at the hearing by the appearing party, the non-appearing party may be at a disadvantage.

"The Board is not prepared to make a general ruling in favour of your suggestion, which would be applicable to all cases, and is of the view that the question is one for consideration in the light of the facts and circumstances of each individual case, having due regard to the interests of all parties concerned.

"You request that the Board give consideration to the issuance of interim orders or rulings. Section 47 of the Railway Act and Rule 21 of the Rules

"and Regulations of the Board deal with the subject of interim ex parte orders. The Board does not consider that it should issue interim orders unless under special circumstances. This would be a question for consideration in each individual case."

The rest of the letter refers to sending a copy of the Rules and Regulations, which of course at that time I already had.

COMMISSIONER INNIS: Q. Do you think the Board would regard as favourably the shipper who was appealing from areas outside the Maritime Freight Rates Act? That is, there is an implication that the Board will act on statutory matters, as in the case of the Supreme Court of Canada; now, will it act so far as shippers are concerned who are not protected under statutory legislation?

A Well, under section 19 -- I am speaking of the Railway Act now -- if I submitted a complaint to the Board, and the railways said, 'We want this matter set down for hearing, and we want Mr. Hugh O'Donnell, Mr. Sinclair, Mr. Spence and all our officials to be there," John Brown might be a little concerned over that, and under section 19 now of the Railway Act the Board interprets it that they have to set the matter down for a hearing.

Q. There is a suggestion in the statement of the Court with regard to maintaining statutory advantages and rates -- that is to say, as though a shipper in the Maritime provinces had certain rights which were not peculiar to shippers who were outside the

maritime provinces?

A. That is right, Dr. Innis. As I read this decision to which you direct my attention, I would say that all that was necessary - and that was the stand I took, that here was a particular case that came up -- I forget the details of it at the moment; it was 1941 -- this particular case came up, and I thought, now, here, this is going to involve a long wrangle possibly, and if we can settle this down on a written submission of the shipper, with the railways to reply, which would probably take three or four letters, let it stand at that, and let the Board come to a ruling, and that should suffice, rather than to have a hearing and thresh the whole matter out, and the shipper was quite willing to have the matter disposed of in that manner.

MR. O'DONNELL: He was free to do that.

THE CHAIRMAN: How does that agree with this other matter that was brought to our attention in the west? We were told that to put the machinery in motion all that would be required would be a letter, a telegram, or a postal card or something of that sort.

MR. O'DONNELL: That is correct.

MR. SINCLAIR: Section 36 of the Railway Act, my lord.

THE CHAIRMAN: That sounded very expeditious, but even in that case, according to section 19 of the Railway Act, if either party complained there would have to be a hearing in open court, although it started with a

postal card.

MR. O'DONNELL: That may be true.

MR. SINCLAIR: That is right, my lord. I would think that an administrative body such as the Board of Transport Commissioners, which the Supreme Court said were fully experienced and had technical staff, might find that the most expeditious and fairest way, the most sound way, of finding the facts would be to have a hearing which they could do even though one of the parties did not ask for it; but if one of the parties did ask for it, surely that is some indication to the Board that the fairness of the situation requires that special hearing, and that is protected by the statute.

THE CHAIRMAN: Yes, the statute is obligatory.

MR. SINCLAIR: And the Board under section 36 has the power at any time.

THE CHAIRMAN: So that the hardship of the shipper getting before the Board, that was mentioned to us in the west, exists by statute, apparently; he has to go.

MR. SINCLAIR: Quite so.

THE CHAIRMAN: If the other party wants a hearing he must be there. Do I understand the result of all this, then, to be this, that if he does not go, if he simply submits his complaint in writing, he loses by default? Is that what it amounts to?

MR. O'DONNELL: Oh, no.

THE WITNESS: No, not necessarily at all, sir.

THE CHAIRMAN: You see, we were told that if there is a dispute about the facts -- then what?

MR. O'DONNELL: Well, if there is a dispute about the facts or about the law, either party or both are entitled to attend. Now, my friend's people apparently did not wish to attend.

THE CHAIRMAN: You say if there is a dispute about the facts or about the law; that covers all disputes.

MR. O'DONNELL: That is right. They are like any other litigant who has a complaint. If he does not choose to go to the court house the day the judge is going to hear the case, then what is said in his absence may prejudice him. This Board is bound to inquire into the matter and get the facts; it must do that of its own motion.

THE CHAIRMAN: Even if he is not there.

MR. O'DONNELL: Even if he is not there; and that is what is said in the judgment of the Supreme Court.

THE CHAIRMAN: His case is heard just the same then.

MR. O'DONNELL: Yes, certainly.

THE CHAIRMAN: The facts being, I suppose, questions as to what the rates are, and so on.

MR. O'DONNELL: Yes; we must not overlook that the Board goes around, it does not just sit in Ottawa. They can have a case here in Halifax or Vancouver or any place. The Board, as Mr. Sinclair says, is an administrative tribunal. It is not restricted as to how it gets the evidence;; it may seek it and get it itself through its own experts or any way it pleases. It is not a court of record to that extent; it can get this information, and so much so is that the case that in the 21% increase case, where the matter of the increased cost

of operations in the Maritimes, was in issue, and where the evidence was not formally put into the record during the sittings, and where at the argument it was suggested that there was no evidence, I said to the Board, "Well, it is your duty to find out what the facts are," so the Board referred that particular point to the Bureau of Transportation Economics, and it recites in its judgment that it obtained the information itself, as it has to do under the Act, in my respectful submission. On page 39 the Chief Commissioner says:

"The Board has, I think, power to investigate and ascertain the facts itself and to make a finding based upon the results of such investigation, and we have proceeded accordingly",

with respect to that particular matter. That is the judgment of the Chief Commissioner at page 39 in the 21% case.

Again, the Assistant Chief Commissioner at page 83 says:

"However, even though the applicants have failed to show increased cost of railway operation in Canada over those in effect on the 1st July, 1927, and should it still be necessary so to do, this Board with the powers and duties of an administrative body as well as its judicial powers can act ex mero motu suo. Its departments and staff are there for the purpose of advising and informing the Board. Consequently, the Bureau of Transportation Economics has been instructed to inform it as to the difference, if any, in cost

"of railway operation in Canada between the 1st July, 1927, and the year 1946. The Board is informed and advised as follows: -"

That is indicative, in my respectful submission, of the view that the Board takes of its duty. The Board does not, in my respectful submission, even question the statement in the judgment of the Supreme Court of Canada in 46 C.R.C. at all. It acts in accordance with it, but it is free as an administrative tribunal, just as this Royal Commission is free to get such information and evidence as it may choose, and in the manner it chooses to find out what the facts are. Now, under the Railway Act, when there is a complaint the parties are entitled to be heard. One of them says, "Well, I don't want to go to court, I don't want to be there when the case is to be heard." That is all right. That is his right; he does not ~~have~~ have to show up, but that does not preclude the Board from getting at the facts in any way it chooses, and it is its duty, as the learned Judge of the Supreme Court said, and it should not prejudice his case at all. But, as I mentioned a moment ago, we may forget also --

MR. SMITH: Mr. Chairman, as I understand it the suggestion of Mr. Matheson is this, that if under the present Act that is the situation it is imperative that there be a hearing, surely this Commission has power to make a recommendation that in certain cases the Board itself may decide whether there should be a hearing -- give the Board a discretion in that connection. I think that was the suggestion Mr. Matheson was making.

THE CHAIRMAN: Yes; that is why we are taking time to consider what the law is.

MR. SPENCE: I may add that the Board at times does express its views as to whether there is any necessity for a hearing. It may write a letter to the parties saying that in its view this matter might be decided without a hearing on the record before it, but it then asks whether it is the desire of either of the parties to have a public hearing. Then, as Mr. O'Donnell said, the Board is an ambulatory body; it goes on tours, so to speak, at least once a year, and sometimes twice a year, and at other times if there are urgent cases to be heard. It may at times travel very long distances and find that the applicant fails to appear when the board arrives, and in such cases I have known a Board to require the case to be heard in his absence and all possible evidence in his favour to be brought forward, so that there is no question of his losing by default. In one case that I recall the Board came from Ottawa to Kentville to hear a complaint that had been sent in by a letter, and the applicant made a mistake in the day and was not there. I was on the other side in that case, and the case was conducted in his absence as if he had been there; that is, so far as the submission that I was presenting were concerned, I had to prove them in just the same way as if he had been there.

THE CHAIRMAN: Does any question of cost or expense arise, Mr. Smith?

MR. SMITH: I am not instructed in that connection, Mr. Chairman.

MR. SPENCE: No costs to them.

MR. SMITH: There are no costs such as party and party costs or anything of that kind.

THE CHAIRMAN: I want to have that on the record; that is why I was asking you about it.

MR. SMITH: Of course, there is the cost of --

MR. O'DONNELL: If a party has a **lawyer** like Mr. Smith I suppose it would cost money, but that is altogether apart from that. There are no costs as between party and party.

THE CHAIRMAN: What is the point as suggested to us here by Mr. Matheson and by you, Mr. Smith? Is it that the Board then in these cases could dispose of the complaint without consulting the other side, otherwise than by writing?

MR. SMITH: As I understand Mr. Matheson's suggestion it is this, that there should be authority in the Board to dispose of matters which are not intricate or complex by written submissions in the form of letters rather than by viva voce hearing.

THE CHAIRMAN: Well, what is the hardship, since, as we are told, if the party does not appear, his case is . heard anyhow? Is it delay, or what is it?

MR. SMITH: Well, in case there was a controversy as to the facts, the Board would have before them only the one side.

THE CHAIRMAN: Well, how would you dispose of such a controversy over facts?

(Page 3573 follows)

MR. SMITH: If it appeared to the Board that there were controversial facts I assume that the Board would probably then require viva voce evidence, or perhaps the thing would work itself out. I have not had any experience in a case of this kind. I was merely trying to suggest to the Board what Mr. Matheson's submission entails.

THE WITNESS: There is just one point there, Mr. Chairman, since the question has come up, and I understand it has come up in the west, although in different form. This is a letter addressed to the Fraser Company Limited in Edmunston over another matter, over the position taken by the Board some years previously as to the particular traffic or question involved. Issue was taken in connection with the proposal of the Fraser Company. Mr. I. C. Rand, then Commission Counsel, stated as follows in a letter dated May 25, 1940, to Mr. P. F. Baillargeon, Secretary of the Board of Transport Commissioners:

"In view of the foregoing" --

He refers to their position in regard to this interpretation of the ruling as to whether the Maritime Freight Rates Act was applicable.

"In view of the foregoing we take the position that the decision referred to does not lay down a hard and fast rule based solely upon a change of title. It takes into account the essential and intended movement of the traffic, and in this case as that movement is continuous from a foreign country to an export country the case is not one which is within the purview of the Maritime Freight Rates Act. If the foregoing view is not concurred

in by the Board I desire to be heard before a ruling is made."

I have also quoted the decision or ruling of the Board. That is the one I referred to in connection with this particular matter.

COMMISSIONER INNIS: Q. Do you think that the directions of the court are not to the effect that the Board should deal a little more tenderly with appeals affecting the Maritime Freight Rates Act?

A That is right, sir. For example, if there is a ruling, or something that has been more or less established by decision, and it is generally accepted and agreed to at that particular time, then if another question came up pertaining to the same point - and I will assume it has to be identically on all fours - assuming it is identically on all fours then I do not think we should have to go through the process of having a general proceeding before the Board, a hearing before the Board. I think that it could be easily disposed of by a postcard, as Mr. O'Donnell would say.

Q There is an implication in this statement that the Board should show more initiative in cases which come under the Maritime Freight Rates Act?

A In other words, to act on its own motion.

Q Yes.

A But you see the limiting factor there, as I interpret it, is in connection with section 19. Somebody makes a complaint, and naturally you have to send a copy of your complaint to the railways, or you will be instructed so to do. The railways come into the picture

and they say, "We want this set down for hearing." A situation results where the party would not have the time and would say, "What is the use? We will throw up our hands."

THE CHAIRMAN: Q. Throwing your hands up, as I understand it, does not dispose of the case against you.

A Here is the point I have in mind --

Q The Board must still proceed to ascertain the facts?

A Unless the case is followed through - I have in mind the case of a complaint from Prince Edward Island made by the Alberton, Prince County Board of Trade. There was an exchange of correspondence on it.

Q Between whom?

A The Board and the complainant. A letter was filed by Mr. MacNaught on behalf of the Alberton Board of Trade, or he made a complaint, and the matter was reopened. It was thought the matter still stood. The complaint was made two or three years ago. I forget the exact date, but it was a year and a half anyway. The matter was revived, and we communicated with the Board on behalf of the interested parties in Prince Edward Island in December of last year, and they came back to the effect that we would have to go in and give all the details. Therefore during that interim that case was not progressed. It might not be altogether a case under the Maritime Freight Rates Act, where Maritime freight rates are involved, but it was allowed to rest, and after the lapse of a certain time the matter was just allowed to rest. The case was not progressed with by the Board. I think that is an

illustration of the point. There was a complaint made, the reply of the railways, and the Alberton-Prince Board of Trade did not follow the matter up with a further reply. The file was there and the Board took the stand that the file was more or less closed on it.

MR. O'DONNELL: If I may interject a word, I think possibly it should be pointed out that the duty of the Board to act, as the learned Judge of the Supreme Court says, is not restricted solely to cases falling within the purview of the Maritime Freight Rates Act. That is the everyday duty of the Board under the Railway Act. The Board as an administrative tribunal has to get the facts.

If the shoe were on the other foot and an individual shipper wanted a hearing, and the railways said, "This matter is so simple that you do not need a hearing", the individual shipper nonetheless is entitled to his day in court. This is still a democratic country and we proceed in that way in open court. If one party wants a hearing and the other party does not wish to attend that is the other party's affair, but under the law if a party requests a hearing he is entitled to it.

He might have something to submit to the court at the open hearing that would change the whole tenor of the prior judgment, and under the Railway Act the Board is entitled to reverse itself as many times as it pleases, as and when there is occasion for so doing. If it finds its ruling was wrong it has the right to reverse that ruling. The very case that my friend mentioned a few moments ago was the Provincial Oil Case. He says, "we may yet appeal that Provincial Oil case". That was in 1931,

going to
and he is talking about/the Board to try to get it reversed.

That may be his right. I am not saying anything as to that, but I say the Board has the right to review its own judgments, and in my respectful view it is in the interests of everyday fair play and proper administration of justice that that democratic procedure should continue. A man is entitled to his day in court, whether it be a shipper or a railway company. If the facts or the law are other than one party seems to think then the other party is entitled to present his views to the court. My friend, Mr. Sinclair, has been good enough to give me section 51 of the Railway Act which reads:

"The Board may review, rescind, change, alter or vary any order or decision made by it, or may rehear any application before deciding it."

It has the broadest possible powers, and it can get its information at an open hearing in court, or through its own experts, or otherwise. I would respectfully suggest that to say that it should have to decide any given matter, without according a day before the Board to whoever may be the complainant, is something that would not be in the interests of the administration of justice generally.

THE WITNESS: There is one specific difference between the Maritime Freight Rates Act and the Railway Act, and that is that the Board has additional powers under the Maritime Freight Rates Act inasmuch as under section 9 they have to determine what is a normal rate for purposes of reimbursement to railways other than the Canadian National Railways. If, for example, there is a question under the Maritime Freight Rates Act that may involve

reimbursement, that has some relation to the determination of a rate, then they might say, "well, now, our authority under the Act does not go that far." Probably there are additional powers available than those which are under the Railway Act in that case where they have to make a recommendation to the Department of Transport as to the amount for reimbursement of the carrier. That is the point I want to mention.

THE CHAIRMAN: You might proceed.

THE WITNESS: The Canadian Pacific Steamer service between Digby, N.S., and Saint John, N.B., and connecting the D. A. R. with the C.P.R., is not considered by the Board of Transport Commissioners as qualifying as a car ferry under Section 4 (2) of the Maritime Freight Rates Act. Consequently reimbursements under the Maritime Freight Rates Act on through traffic are reduced $1\frac{1}{2}$ cents per 100 lbs. to allow for the water haul between Digby, N.S., and Saint John, N.B. Except in the case of class rates from D.A.R. points to stations in Quebec and Ontario west of Boundary, Quebec, the difference of $1\frac{1}{2}$ cents per 100 lbs. is generally absorbed by the railways.

As to the class rates, that was a matter of successful negotiation with the Dominion Atlantic Railway and the Canadian Pacific in relation to revision of rates, and in lining up the revision which in some cases amounted to 15 per cent, if I remember correctly, they asked our Commission in view of the changes, and the question of give and take, whether or not the structure would be such that a cent and a half would be added on. Where we got a concession in one case this was a concession

expected in the other case, a matter of give and take and cooperation which we have had at different times in negotiations of this kind. In this particular instance, a cent and a half was added on to the rate.

In contrast Section 32 (2) of the Terms of Union with Newfoundland treats the through traffic between North Sydney, N.S., and Port aux Basques as all-rail traffic and therefore subject to the Maritime Freight Rates Act in compliance with Section 13 of Amendments to the Statute Law (1949) in connection with the Union of Newfoundland.

While the Maritime Freight Rates Act has been of considerable value to the Maritimes' economy, decisions of the Supreme Court of Canada and the Board of Transport Commissioners indicate that the provisions of the Act are insufficient to maintain the "differential between" as established by the Act in relation to the effects of competition of other transport media.

THE CHAIRMAN: Q. Just a minute until I see what you mean by that. You say:

"...the provisions of the Act are insufficient to maintain the 'differential between' as established by the Act..."

If they are established by the Act, how can the Act itself be insufficient to maintain them?

A The point which I wanted to express there was that, let us say, between Montreal and Toronto because of competition the rate has been reduced from 50 cents to 40 cents to meet that competition, which would be a 20 per cent reduction. In the meantime we had a rate, as reduced under the Maritime Freight Rates Act, to the Toronto

market of 50 cents. We could not maintain that "differential between" that was established under the Maritime Freight Rates Act before, that is to say, we had a rate of vis a vis 50. The point I raised before, and which was brought up in the potato case, was that therefore we lose that discrimination between. In other words, our rate could not be reduced by another amount to bring our rate down to say 40 cents, so that the discrimination between ^{rate} that had existed before the competitive/was implemented no longer exists.

Q It would require an amendment to the Maritime Freight Rates Act?

A That is right.

Q To put it the way you think it ought to be?

A That is right.

Q I notice you put in quotation marks the words "differential between". Where are you quoting from? That is in the fourth line from the top of the page.

A I believe, Mr. Chairman, that should be "discrimination between".

Q Instead of "differential"?

A Yes.

Q Where are those words found in the Act?

A They are found in section 314 of the Railway Act, and were used in the Supreme Court decision I referred to recently of June 8, 1933, a part of which I quote on page 69 of the brief. If you will look down that page you will see the words, "Shippers, in Nova Scotia, of apples, for example", and then I have in brackets, "Railway Act, section 314." That is taken from the Railway Act.

MR. O'DONNELL: Q. What page?

A Page 69 which I read.

THE CHAIRMAN: What part of section 314? That is a long section.

MR. SINCLAIR: Subsection 4.

THE CHAIRMAN: "No toll shall be charged which unjustly discriminates between different localities."

THE WITNESS: He just used those terms.

Various estimates have been made of the inroads on Canadian railroad revenue by motor trucks. In 1946 it was estimated at approximately \$130 million. Of this amount approximately \$97,500,000 was due to loss in traffic and \$32,500,000 was based on competitive rate reductions. (114)

I base that calculation on an address of Mr. G.R. Johnson, Assistant Transport Economist, Department of Research and Development, Canadian National Railways. I think if I remember correctly the breakdown was based on the ratio that he had adopted in a previous statement.

In the 20 per cent case it was estimated that approximately 21 per cent of the Canadian freight revenue of the Canadian National Railways in 1948 was obtained from competitive rates. If it is assumed that in that year competitive rate reductions averaged 25 per cent then, on the basis of the figures of the Canadian National Railways loss in revenue from competitive rates (115) on that

(114) Address of G.R. Johnson, Assistant Transport Economist, Dept. of Research and Development, Canadian National Railways, before the Canadian Industrial Traffic League, October 6, 1947.

(115) Evidence of L. J. Knowles, Freight Traffic Manager, Canadian National Railways, p. 3165, vol. 813 Transcript of Evidence, etc.

railway alone totalled approximately \$13,000,000.

Competitive reductions have been effected to a large extent on commodities which take the higher rates. A study of rural traffic on highways of the United States in the period 1936-38 indicated that the total ton mileage of carried loads was divided among the general commodity classifications in the following proportions. (116)

Manufacturers and Miscellaneous	66%
Products of Agriculture	17%
Animals and Products	10%
Products of Mines	4%
Products of Forests	<u>3%</u>
Total	100%

Approximately 53% of all ton mileage carried in the period investigated was inter-city. A study of highway traffic in Canada would possibly indicate a somewhat similar pattern.

The loss in revenue resulting from the diversion of high classed traffic to other transport media, and the reductions in rates concomitant with more costly services and facilities in order to retain the traffic create a situation in which the burden for meeting the revenue needs of the railroads tends to be shifted more to long haul traffic, basic and primary commodities, and in general, persons and industries dependent upon long hauls in Canada that are generally less capable of absorbing the additional load. The proposals of the railways in both the 21% and 20% cases to increase the rates on all commodities, except in the case of coal and coke and as otherwise exempted, by

(116) Transportation in America, 1947, Association of American Railroads, page 310.

uniform percentage increases are indicative of a shifting of the rate burden.

I refer to the report of the Duff Commission at page 154.

THE CHAIRMAN: Q. You refer to it here?

A I am referring to it at this point, Mr. Chairman. At page 154 of the Duff Commission report this statement is made:

"If the railways lose a large part of their profitable short distance traffic to the roads, a readjustment of the whole freight rate structure may be necessary, with a possible increase in the rates charged for the long distance and heavy freight traffic."

MR. O'DONNELL: Mr. Matheson, you must have the wrong page for that because the Duff Commission report only has 115 pages.

THE WITNESS: It might be section 164.

MR. SMITH: Did you mention 154?

THE WITNESS: I said 164.

MR. SMITH: It is section 164, page 55.

THE WITNESS: The 21% increase in freight rates effected on April 8, 1948, resulted not only in a worsening of the competitive position of Maritime industries in some of the markets of the Central Provinces ratewise, but these increases, coupled with the subsequent increases in competitive rates, have largely been passed on to consumers in the Maritimes.

While a comparison of class rate increases effected on April 8, 1948, and now proposed, does not depict

the actual situation as in the case of class rates from the Maritimes vis-a-vis the competitive rates on the same class of commodity in the Central Provinces, the subjoined table of increases does reveal the worsening of the Maritime position ratewise vis-a-vis Montreal, for example, as a result of uniform percentage increases:

(117)
TABLE 12

INCREASES IN CENTS PER 100 lbs.OVER
RATES IN EFFECT ON APRIL 7, 1948.

<u>TO TORONTO,ONT.</u>	<u>First Class</u>		<u>FifthClass</u>	
	<u>Apr.8/48</u>	<u>Proposed</u>	<u>April 8/48</u>	<u>Proposed</u>
<u>From:</u>				
Saint John, N.B.	22	47	11	24
Halifax, N.S.	22	47	11	24
Sydney, N.S.	23	49	11	24
Yarmouth, N.S.	26	56	13	28
Montreal, P.Q.	17	37	8½	18½
<u>FROM TORONTO,ONT.</u>				
<u>To:</u>				
Saint John N.B.	24	52	12	26
Halifax, N.S.	25	54	12½	26½
Sydney, N.S.	26½	56½	13	28
Yarmouth, N.S.	30½	66½	16	34
Montreal, P.Q.	17	37	8½	18½

(117) Also see Appendices 64, 65, 66 and 67.

1913 10 10 11 11 11

1913 10 10 11 11 11

1

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

1913 10 10 11 11 11

I left out Charlettotown, but in appendices 64, 65, 66 and 67 there are further details of the impact of these changes.

The situation which has evolved pursuant to the effective date of the Maritime Freight Rates Act - July 1, 1947 - may be briefly summarized as follows:

- (1) Competitive rate reductions outside the select territory have resulted in nullifying the statutory advantages in rates as intended by the Act to persons and industries in the Maritimes.
- (2) Uniform percentage increases effected on April 8, 1948, and currently proposed, tend to accentuate the disadvantages of distance to industries in the Maritimes on traffic to some of the principal markets of the Central Provinces, and to consumers in the Maritimes vis-a-vis consumers in the Central provinces on traffic eastbound.
- (3) The increase in fifth class arbitraries over Montreal from Saint John and Halifax, for example, to stations in western Canada effected on April 8, 1948, was 1 cent per 100 pounds.

I want to stress that it was only a small amount.

The proposed 20% increase would increase the fifth class arbitrary over Montreal from points taking Saint John and Halifax group rates by 2 cents generally. The recent increases in transcontinental competitive rates from Maritime originating points to B. C. coast points also

reflect the mitigating influence of the low arbitrary basis over Montreal on traffic to western Canada.

The limitations in the increases from Maritime points, as compared with Central Canadian points, to stations in western Canada present an illustration of the restraining effect of the arbitrary basis of rates in maintaining relationships and in lessening the impact of uniform percentage increases. If the arbitraries were maintained constant it would not only have the effect of maintaining relationships, but would also result in lesser percentage increases as distance increased.

It is therefore recommended in connection with the Maritime freight rate structure that the class arbitraries that existed on April 7, 1948, between Maritime originating points and stations in Canada be maintained constant in the application of any general rate increases in Canada that might be found necessary and justifiable.

THE CHAIRMAN: We shall adjourn until 2.30.

---The Commission adjourned at 1 p.m. to resume at 2.30 p.m.

AFTERNOON SESSION

Halifax, N.S.
July 13th, 1949

RAND H. MATHESON - Recalled.

THE CHAIRMAN: Very well.

THE WITNESS:

3. The Incidence of Horizontal Percentage Rate Increases and Other Rate Changes and Their Effects on the Maritime Provinces.

(a) The Problem.

The basic economic geography of Canada has been described as a "strip economy", ⁽¹¹⁸⁾ 3,000 to 4,000 miles long and from 150 to 400 or 500 miles wide, and comprising four basic economic units.

THE CHAIRMAN: Q. In the first place, will you tell me what is meant by "strip economy"?

A. I am quoting from "The Canadian Railway Problem" by Lesslie R. Thomson, at page 255. It is like a ribbon across the country.

Q. It means long and narrow?

A. That is right, Mr. Chairman.

Canada's transportation and communication systems are the means by which this strip is linked together politically and economically. Indeed, without these systems the various economic units would have functioned less arbitrarily with the adjacent territories of the United States. Originally the economy of the Maritimes was correlated with that of New England, but as a result of Confederation and the effects of the National Policy the Maritimes have become dependent upon the relatively longer haul from Central Canada for the greater proportion

(118) Lesslie R. Thomson, p.255, "The Canadian Railway Problem."

of manufactured goods they consume, and more dependent upon the markets of Canada for a large portion of their output.

It is the incidence of this strip pattern of Canada's economy and the artificial inter-dependency of the extremities upon the centre that accentuate the impact of uniform percentage freight rate increases on long haul traffic.

In both the 21% and 20% freight rate cases the Maritimes strongly opposed this method of increasing freight rates.⁽¹¹⁹⁾ It was contended by Maritime Counsel that the experience of the Maritimes in respect of horizontal or uniform percentage increases has been one of destroyed relationships and arbitrariness, resulting in augmented transportation handicaps. Briefly, it was submitted that:

(a) In general revenue cases in the United States there has been a departure from the principle of uniform percentage increases in the application of alternative measures as exceptions to general proposals, particularly in the case of long haul traffic and basic and primary commodities, including foodstuffs. The exceptions have been in the form of percentage increases with maxima, lower percentages with or without maxima, and specific amounts per 100 lbs.

(b) The powers of the Board of Transport Commissioners to prescribe exceptional measures to

⁽¹¹⁹⁾See arguments of Hon. C. J. Burchell, P.C., and F.D. Smith, K.C., Board of Transport Commissioners Transcript of Evidence, Vol. 787, pp. 17791 to 17817 inclusive; Vol. 817, pp. 4497 to 4520 inclusive.

proposed horizontal percentage increases are practically identical to those of the Interstate Commerce Commission.

- (c) The Board has in the past prescribed alternatives⁽¹²⁰⁾ to general rate proposals, and in the Eastern⁽¹²¹⁾ Rates Case stated as follows:

"Preference and discriminations as between commodities or localities are discernible in some instances, and these would only be perpetuated were the principle of a uniform percentage increase adopted that was suggested by some of those who appeared in the case. Some articles may reasonably stand a greater lift in the schedules than others; on the other hand, the advances asked for in some items may be deemed too great, or even inadmissible."

THE CHAIRMAN: Q. When was that case?

A. It was the Eastern Rates Case in 1916 and the decision is to be found in 6 J.O.R. & R., at page 164.

Q. And what volume?

A. Volume six.

Q. All right.

(120) Alternatives from the applications of the carriers were prescribed in cases reported in 22 C.R.C., p. 4; 22 C.R.C., p. 49; VIII J.O.R. & R., p. 27; 26 C.R.C., p. 130.

Mr. Hugh O'Donnell, K.C., Counsel of the C.N.Rlys, admitted the prescription of alternatives by the Board, and in so doing contended to the effect that the Board's powers were different from the powers of the Interstate Commerce Commission in that connection but he did not explain or indicate in what respects. He also stated to the effect that the exceptions the Board did prescribe were generally "in the national interest." See pages 4777 and 4780 B.T.C. Transcript of Evidence, Vol. 818.

(121) VI J.O.R. & R., p. 164.

THE WITNESS:

The action taken by the Board of Transport Commissioners in the past leaves no doubt as to its powers to prescribe alternatives to railway proposals in general revenue cases.

- (d) Among other things, it was the effects of increases, including the horizontal percentage increases between 1916 and 1921, that dictated the recommendations of the Duncan Commission⁽¹²²⁾ which led to the passing of the Maritime Freight Rates Act involving a "broad measuring" of an approximately 20 per cent reduction in rates as provided in the Act.
- (e) The method of increasing rates by general horizontal percentage increases precipitates the same restrictive economic conditions which the Maritime Freight Rates Act was intended to alleviate.
- (f) General horizontal percentage increases are not sound, as the method postulates that all traffic can bear the same burden percentage-wise and that the conditions and circumstances that give rise to additional revenue are

(122) The Duncan Commission found to the effect that the horizontal percentage increases were in one sense connected with the general problem, but were not so inter-connected "as to make it impossible to deal with it separately." "Indeed the reaction of the burden which it imposes is so great that, in our view, it should be dealt with as a special problem." "The railway administration, in giving evidence before us, agreed that long distance traffic, particularly heavy traffic, had been seriously prejudiced by the operation of the horizontal increase." "In view of the importance of railway rates to long-distance and heavy traffic, we have no hesitation in recommending that the matter should be taken into fresh consideration by the Railway Commission." - pages 26 and 27 Report of Royal Commission on Maritime Claims.

in direct proportion to distance.

- (g) Except in cases in which percentage increases are low, the general horizontal percentage method without exceptions is restrictive and tends to prevent producers located at points distant from the principal markets competing with producers located nearer such markets, thus affecting adversely the equal, wide and complete development of the nation.

The questions now arise -

- (1) Is the "strip economy" of Canada amenable to uniform percentage increases?
- (2) Have uniform percentage increases disrupted rate relationships and affected persons and industries in the Maritimes?
- (3) Are changes in the Railway Act, and other legislation, necessary to increase the Board's power so as to enable greater freedom in prescribing exceptions to proposed uniform percentage increases in the national or public interest?

The economic structure of Canada dictates that uniform percentages as a method of increasing rates in Canada on long haul traffic, particularly on basic and primary commodities - including foodstuffs - should be avoided if they tend in any way to be restrictive and prevent producers located at points distant from the principal markets competing with producers located nearer such markets, and thus tend to affect adversely any section of Canada.

The effects of the straight horizontal method of increasing rates in aggravating the posture of the

Maritimes in the competitive markets of Canada is evident from the relative increases indicated in Appendices 63 to 67 inclusive, of Volume No. 2.

The increases as applied to grain and grain products from the Head of the Lakes to the Maritimes since April 7th, 1948, are also exemplary of the effects of horizontal percentage increases in destroying relationships associated with rates that have been prescribed by the Board of Transport Commissioners and maintained for years. For example, between December 1st, 1921, and December 5th, 1932, the all-rail carload rate on grain and grain products from the Head of the Lakes to Halifax, N.S., as established by General Order No. 350 dated November 24th, 1921, was 57¢ compared with 55½¢ to Saint John, N.B., or a difference of 1½¢. On May 1st, 1941, the rates were 42¢ to Halifax, N.S., and 40¢ to Saint John, N.B., or a difference of 2¢; on April 7th, 1948, 52¢ to Halifax and 50¢ to Saint John, still a difference of 2¢ per 100 lbs.

I shall point out that, in the interim, particularly around 1930, the grain rates from the head of the lakes, all rail, and lake and rail, to Eastern Canada Canadian destinations were substantially reduced to meet competition.

THE CHAIRMAN: Q. To meet whose competition?

A. Water competition.

Q. I thought you said they were ^{boat} ~~both~~ rates?

A. "Lake and rail" is a term used when part of the movement is by rail and part is by water. And the fact of the all water movement resulted in a depression of the rate to meet the all-water routes. There was a sort

of maintenance of a differential that had existed back in 1921, on the normal rates established by the Board.

Q. Between Halifax and Saint John?

A. That is right.

However, as a result of the 21% increase effective on April 8th, 1948, and the 15% increase on September 15th, 1948, the rates are now 59¢ to Halifax and 55¢ to Saint John, or a difference of 4¢ per 100 lbs.

THE CHAIRMAN: Q. What is the effect of the new tariff?

A. It is 56¢ to Saint John, all rail, and 59¢ to Halifax.

Q. Making a difference of 3¢?

A. That is right, subject to a check. Perhaps Mr. Fitch would be good enough to check that for us.

It is significant to note that this difference exceeds the 2¢ difference in the existing normal rates of 69¢ to Halifax and 67¢ to Saint John.

The additional burdens to the Maritimes stemming from increases effected since April 7th, 1948, and presently proposed, are evident in the following illustrations:

Those 69¢ and 67¢ rates are the rates as prescribed by the Board of Transport Commissioners and increased by 21%, pursuant to the decision of the Board in the 21% case.

- (1) Rates on canned goods from Simcoe, Ont., for example, to Halifax, N.S., have been increased from 50¢ to 81¢ per 100 lbs. carloads, or by 62%, and if the present proposed increase of 20% is effected the rate would become 97¢, or a

total increase of 94%.

(2) The spread in rates on billets and blooms as between Sydney, N.S., and Hamilton, Ont., to Toronto, Ont., was increased on April 8th, 1948, from \$4.20 to \$5.08 per gross ton, and on the basis of the proposed 20% increase the spread would be further widened to \$6.09 per gross ton.

(3) The increase effected on April 8th, 1948, influenced W. H. Schwartz & Sons Ltd., of Halifax, N.S. to establish a branch plant in Montreal, P.Q.

There are to be several witnesses in regard to different matters that are referred to at this point and subsequently, and some of the statements which are here, and they will be available for any questions which might be asked.

Some of them might not be able to appear in Halifax because of prior engagements, but they will be available at other points. For example, Enamel and Heating Products Limited, and Enterprise Stove Company, will have two witnesses available at Charlottetown in the event that some questions might be asked. Mr. Schwartz intimated to me that he would also be available here at Halifax tomorrow, if it is desired.

THE CHAIRMAN: Q. For instance, in subparagraph 1, on page 78, you say that the rates on canned goods from Simcoe to Halifax have increased from 50¢ to 81¢. Would that be on account of the 21%?

A. The 21%.

Q. But why does it cause a 62 per cent increase?

A. They have removed the competitive rates.

Fifty cent was the competitive rate.

Q. It has been wiped out by the 21% increase?

A. But on regular class rates, it is a 5th class rate; and if the other 20% is added it comes up to a total increase of 94%, as compared with the competitive rate which existed previously. Those competitive rates did not come into effect until around April 15.

Q. Of this year?

A. No, in any year.

Q. According to navigation?

A. That is right. And I assume that the 50¢ rate -- you see, there is a sort of anachronism there in connection with my dates, which I want to make clear. If the competitive rate did not come into effect until April 15, then this illustration of April 7 should be noted.

Q. It might be too early?

A. That is right.

Q. You give us April 7 and increase to 62%; but not until the effect of what would occur after April 15?

A. After April 15, the competitive rate -- and I am assuming that the competitive rate does come in on April 15 --

Q. You must know whether it did or not, because you are talking about 1948?

A. That can be checked back. Some might come in on April 1st, and some on April 15. But most do come in on April 15. Let us assume that the competitive rates are established each year on April 15 in connection with canned goods; and let us assume that the date for the increase of the 21% was April 25. Then the 50% rate would be established as of April 15, and it would be

increased by 21%.

Q. The 50¢ only?

A. Yes; and in due course, in this year, the competitive rates were withdrawn.

Q. That would be about $10\frac{1}{2}$ cents over?

A. Approximately, sir.

Q. Yes?

(14) The differences in freight on raw materials of production to the plants of Enamel & Heating Products Limited located in Sackville, N.B., and Amherst, N.S., were increased approximately \$34,000 and \$27,500 respectively over plants located in Ontario based on the 1947 purchase of the Maritime Company. If the proposed 20% increase were effected these differences would be increased to approximately \$41,000 (123) and \$33,000.

Mr. French of that company will be available in Charlottetown to answer any questions in that respect.

(5) The winter rates on apples per barrel from Kentville, N.S., to Montreal, P.Q., were increased from \$.829 to \$1.007 as on April 8th, 1948, and if the proposed 20% increase were effected the transportation charge per barrel (124) would be up \$.381 at \$1.21.

(Page 3605 follows)

{123} Appendix 77.
{124} Appendix 78.

COMMISSIONER ANGUS: Q. Do you go so far as to suggest that a horizontal percentage increase in rates is not consistent with section 8 of the Maritime Freight Rates Act?

A. Mr. Commissioner, that was argued before the Board of Transport Commissioners in the 21% case, and there is still a question.

THE CHAIRMAN: Q. That what?

A. They did not countenance that argument, in any event. I will refer to it later on.

Q. They proceeded as if the argument was not valid?

A. Yes. In other words, it involved also to some extent the question of the interpretation of section 3(2)(b) of the Act. Both of them were read in together, section 8 and section 3(2)(b) of the Maritime Freight Rates Act.

Q. Might there not be ground, then, for appeal in the Supreme Court?

A. There is a strong question there, Mr. Chairman, about that, and I think it is the general feeling of our Commission that rather than go to the expense of appealing to the Supreme Court, if there were any change or if it appeared that a change should be made in regard to these horizontal percentage **increases** within the Act, it would be preferable to going to the expense of appealing the matter.

Q. That is, you would ask that the Act be amended if necessary?

A. That the Act be amended.

Q. That is what you ask us to recommend; is that it?

A. Yes, Mr. Chairman.

MR. O'DONNELL: I think the Board made it quite clear that there might be some cases that would require adjustment, and if such were the case as and when required that could be **done**. The Chief Commissioner said, at page 65 of the 21% judgment that he viewed the **horizontal** increase as the only workable and practical method of dealing with the **question** in order to provide the additional revenue required by the railways, and then he went on to say:

"While there are a number of individual cases where discrimination in rates is alleged to exist and it may be that some of these require special and **separate** consideration, on another occasion. But they do not seem to be so outstanding as to require separate treatment in a case of this nature."¹¹ Then he mentioned British Columbia and the Province of Alberta, and made it quite clear at several places in the judgment that the Board was open to anyone who could make a case of being adversely affected by the horizontal increase.

THE CHAIRMAN: Yes, but I understood from **Mr. Matheson** that the question of the rates conferred on the Maritimes by this special Act was raised before ~~them~~.

MR. O'DONNELL: Oh, yes, it was discussed fully.

THE CHAIRMAN: Did they discuss it in their judgment?

MR. O'DONNELL: There is reference to it in the judgment.

MR. SMITH: Of course, the whole matter was referred back to the Board by the Committee Mr. Chairman,

and that matter was --

THE CHAIRMAN: Was there any special reference made to this point?

MR. SMITH: Oh, yes, it was argued. There has been no judgment on the review as yet, as your lordship knows.

MR. O'DONNELL: I think our friends are quite willing to concede that the Board could reduce the maritime freight rates, but they did not think the Board had power to increase them, and it was argued that on the face of the Act itself, and particularly section 3(2)(b) they may be increased. Section 3(2)(b) reads:

"The Board of Railway Commissioners, hereinafter called the Board, is authorized and directed to....."

(b) maintain or cause to be maintained such substituted tariffs, subject to all provisions of the Railway Act respecting tariffs of tolls not inconsistent with this Act, on the general rate level of approximately twenty per cent below the tolls or rates existing on the first day of July, one thousand nine hundred and twenty-seven, while the cost of railway operation in Canada remains approximately the same as at the said date, but the Board may allow the increase or

"reduction of such tolls or tariffs from time to time to meet increases or reductions, as the case may be, in such cost of operations."

There was a long argument directed to the Board, and, as my friend Mr. Smith says, it is under review at the present time, along with everything else that was discussed in that case.

THE WITNESS: Page 38 of J.O.R. & R., volume 38, No. 1(a). Page 38 refers to the discussion of the Maritime Freight Rates Act by Commissioner Cross, and it goes on to page 40.

MR. O'DONNELL: Then the Assistant Chief Commissioner went on to discuss it at page 83.

THE WITNESS: At page 81 to 84, Assistant Chief Commissioner Wardrope.

The Duncan Commission was impressed that the Railway Act apparently did not bestow upon the Board of Transport Commissioners sufficiently broad powers "to pass under its review, when appeals are made to it, the same wide range of business considerations which railway companies themselves can take into account in forming a judgment as to the extent to which they should develop trade and commerce."⁽¹²⁵⁾ The Commission, therefore, recommended to the effect that the Board should be vested with wider supervisory responsibility in the public interest with power -

(125) Pages 24, 25 and 26 Report of the Royal Commission on Maritime Claims.

(a) to establish rates for the development of the natural basic products and associated enterprises; and

(b) to investigate and determine the incidence of the railway charge on production costs.

THE CHAIRMAN: Q. On that point, the Board has said on several occasions that it has nothing to do with the building up of industries, for instance. I think that somewhere in this brief you say that there are cases where the Board has taken such into consideration?

A. Yes, Mr. Chairman.

Q. And have you given instances of that?

A. I have the references quoted, and I will refer to them specifically, Mr. Chairman.

COMMISSIONER ANGUS: Q. Is your recommendation applicable to the whole of Canada or just to the Maritime provinces?

A. No; this particular part deals with the whole of Canada -- to investigate rates for the development of the natural basic products, and so on. I am speaking of the whole of Canada. That would be in the Railway Act, that particular part.

MR. O'DONNELL: You are referring to the Duncan report here.

THE WITNESS: But it was the Duncan Commission, Mr. O'Donnell, that was taking in the over-all picture, in connection with the general rates and the public interest, and it was a further elaboration in connection with the horizontal percentage increases and economic conditions and so on.

While Section 325 of the Railway Act does give the Board of Transport Commissioners "powers of the most sweeping character"⁽¹²⁶⁾ it has been constrained in exercising these powers when economic and geographical considerations predominate inasmuch as elements of unjust discrimination, undue prejudice, and possibly unreasonableness would likely be evident under substantially similar conditions and circumstances. I will repeat that: under substantially similar conditions and circumstances. There are a number of instances in which economic and geographical considerations appear to have been of considerable influence in the establishment or approval of certain rates by the Board, particularly in relation to rate groupings and arbitraries.⁽¹²⁷⁾

Footnote 127: Groupings suggested on coal - 17 C.R.C., p. 123.

THE CHAIRMAN: Q. 17 C.R.C., p. 123, that is the proper reference, is it?

A. I will check it, sir, but I feel quite sure that is the one. When I say groupings, you have a particular territory -- this is where the economic significance comes in -- you have a particular territory blanketed, you have a range, and in connection with some of the coal rates, speaking of western Canada now, you will find for example different groups, different mines, while there may be a distance, a range, of a few miles, all taking the same rate to a common market. That would be in the sense of an equalization of these particular mines going into that particular

(126) 1931 Supreme Court Reports, page 668.

market, which therefore is of economic significance.

Then we have groupings prescribed in Eastern Canada - VI J.O.R. & R., p. 183; Reduced arbitraries prescribed - XII J.O.R. & R., p. 61; Arbitraries on grain and grain products maintained - VII J.O.R. & R., p. 184 @ 187; Groupings on coal originating points prescribed - 47 C.R.C., p. 72. I am not quite certain about that case, but I believe that has to do with coal in the Saskatchewan Estevan field. Relationships as between paper mills prescribed - 42 C.R.C., 15@ p. 60; Relationships between competitive producers that have existed for years maintained - Canadian Railway Cases No. 237 (Canadian Freight Association). That is not reported in either the C.R.C. or the J.O.R. & R., but it is Board's file no. 11203; but I believe that case, if I remember correctly, has been referred to in that newspaper case, 42 C.R.C. 15. Judgment dated March 30th, 1910 (not reported in Canadian Railway Cases).

I want to make it clear that there were elements of economic and geographical considerations involved in those cases which the Board did act upon in their consideration.

COMMISSIONER INNIS: Q. Are there any cases in which geographical and economic considerations are not?

A Oh, there are numbers, Dr. Innis, case after case, in almost monotonous repetition. They say, "Economic and geographical factors are beyond our consideration".

Q. That may be, but I suspect that careful analysis

would show that you could find very, very few cases in which economic and geographical considerations were not involved.

A. I agree with you. I would say there is an aspect of economic and geographical factors in practically every case.

Q. That is what I meant. I was just wondering why you were singling these out; is it that there is some --

A. I am singling them out specifically because these were the cases where it was like setting up a grouping, a blanketing of a territory, where they have stepped into the picture or they have maintained relationships, because here is an industry, and we allow such-and-such a rate to go in there, that is going to upset that relationship, and that will have a detrimental effect on that particular industry.

Generally, however, the Board has adhered closely to the principle that it has no power to regulate tolls, for the purpose of equalizing cost of production, or geographical, or climatic, or economic conditions." (128)

If the Railway Act and the principles established thereunder have a restraining effect on the Board when it appears to it that in the national interest certain rates should be prescribed to maintain relationships, subordinate distances, facilitate the movement of basic and primary commodities, and to lessen the impact of increases

on consumer costs, then amendments should be made in the Railway Act and related legislation bestowing specifically on the board wider supervisory powers making it mandatory for it to give due consideration in connection with any rate adjustment to -

- (a) the conditions which at any time prevail in industry to the end that commodities may move freely;
- (b) (I am quoting from section 159 of the Interstate Commerce Act) "the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed";⁽¹²⁹⁾
- (c) the rate relationships under which industries have been established and developed;
- (d) the incidence of increases in worsening regions economically.

The "strip economy" of Canada and the pervasive influence of national policies dictate that such considerations are of paramount importance for a wide, equal and complete economic development of the country.

(b) The Significance of Two Transcontinental Systems in Relation to the Maritime Rate Structure

The rail transportation systems in the United States present an altogether different pattern than the railways in Canada. For example, there is no single transcontinental railway in the United States to compare with the Canadian National Railways and the Canadian Pacific Railway Company. The United States pattern reveals a heterogeneous network of railroads converging on large and important markets. An alteration in rates in one section may be reflected throughout a

(129) Section 15 (a) Interstate Commerce Commission Act.

number of territories. In Canada the situation is somewhat different in view of the fact that Canada's two large systems serve practically all the Canadian territory from coast to coast. An alteration in rates in one section to meet local conditions does not necessarily result in adjustments in other sections, or between regions, unless competitive and other conditions and circumstances are substantially similar. This distinction in the railroad pattern as between Canada and the United States is of considerable importance to the Maritime Provinces, keeping in mind the detrimental consequences of competitive rate reductions in respect of the statutory advantages established by the Maritime Freight Rates Act. This difference, coupled with the apparently broader application of the Interstate Commerce Act in the maintenance of rate relationships and the "widest possible distribution of the products of each plant and each part of the country thus encouraging and promoting 'the free movement of traffic and a large degree of competition over broad geographical areas' (130) "

I have fortunately been able to secure for the Board a copy of that hearing from the Chairman of that particular Committee, with evidence incorporated,

(130) See Appendix 1-B, which is a copy of a statement presented by Mr. Walter J. Kelly, Traffic Officer, Association of American Railroads, Washington, D.C., before a U.S. Senate Subcommittee of the Committee on Interstate and Foreign Commerce, on Tuesday, December 7, 1948.

and I will give that to the Secretary for the information of the Commission. I do not know whether I should refer to this appendix in volume 2 at the time, but in this appendix 1-B there are quoted the various cases dealing with this particular aspect and the granting of rates to equalize industries in various sections of the country and so on, what the I.C.C. took into consideration, covering such commodities as sugar, grain, salt and various others.

(Page 3620 follows)

contrasted with the failure of the Maritime Freight Rates Act in that connection, emphasizes the need for some measure or measures to permit the recognized statutory policies inherent in the construction and operation of the Intercolonial to be re-established in the public interest.

(c) Basic Recommendations

It is well to remember that it is an established principle in rate regulation in Canada and the United States that the rate on one railway is not necessarily the measure of the rate to be charged on another railway; for example, in the case of Dominion Sugar Co. vs. Canadian Freight Association (131) --

There are several other cases along the same line.

THE CHAIRMAN: Q. What year is that?

A I can check up on that.

Q Is it recent or old?

A No, it is quite a number of years ago, 14 C.R.C. I think the present volume is around 62 or 63 of the Canadian Railway Cases, so it is quite a number of years ago.

Q Go on, please.

A --the then Board of Railway Commissioners stated to the effect that as a toll obtaining on one railway cannot be claimed to be unjustly discriminatory simply because a toll on another, which is put into effect for competitive reasons, is lower, it being within the discretion of the carrier whether it shall meet competition or not.

(131) 14 C.R.C., 188 at pages 191 and 192.

THE CHAIRMAN: Q. How does that apply today when there are virtually only two railroads? I can understand it applying in the United States.

A Let me see if I get your question. If, for example, you establish a rate from X to Y in Toronto --

Q That must be either via the Canadian National or the C.P.R.

A Let us say it is the Canadian National, on a commodity that is produced in the Maritime Provinces, and the rate is put in to meet competition. We cannot get a corresponding reduction from the Maritime Provinces because the competition may not be on all fours with that which exists in the area where the reduction is made. Let us assume, as a matter of illustration, that this was a separate railway known as the Intercolonial System, if you wish, and the reduction was effected from X to Y on the Canadian National in Ontario. Then this railroad in this section of the country could look into the matter, and if it considered that it was in the interests of the industry and of themselves they could reduce the rate to meet that particular reduction that was effectuated in Ontario.

MR. O'DONNELL: If they wanted to meet the competition.

THE CHAIRMAN: Q. That is not what you are stating here. You say:

"It is well to remember that it is an established principle in rate regulation in Canada and the United States that the rate on one railway is not necessarily the measure of the rate to be charged on another

railway."

A I will give you another illustration.

MR. SINCLAIR: That is the statement of the Board in this case that was cited by Mr. Matheson. It is Coal Operators versus C.P.R. and C.N.R. It is a well established principle. It is to be found in 47 C.R.C.

THE CHAIRMAN: What is the case?

MR. SINCLAIR: Coal Operators versus C.P.R. and C.N.R., 47 C.R.C., page 72. That is referred to here as a well known and accepted principle.

THE WITNESS: What is the date of that, Mr. Sinclair?

MR. SINCLAIR: 1937.

THE WITNESS: To give you another illustration, Mr. Chairman, let us take, for example, the Dominion Atlantic Railway. Generally speaking their class rates are higher than the class rates on the Canadian National Railways in the Maritimes. If, for example, a complaint was made that those rates on the D.A.R. should be the same as on the Canadian National Railways, by that principle as laid down the Board could say that the rates on the Canadian National Railways are no criterion of the reasonableness of the rates on the D.A.R.

THE CHAIRMAN: Q. Where does the D.A.R. run?

A The Dominion Atlantic Railway runs between Yarmouth, Nova Scotia and Halifax.

Q Does it operate itself, or is it operated by one of the other railways?

A It is a separate entity of the Canadian Pacific Railway Company, owned by them.

COMMISSIONER INNIS: Q. All you are saying here is that the railway may choose to meet competition?

A That is right, competition of another railroad, and other competitive factors.

If the Intercolonial Railway and the other railways constituting the "Eastern Lines" had running rights over the Canadian National Railways to Toronto, and were deemed to be a separate entity for rate-making purposes only, then it would be within the discretion of the management of the system thus constituted to effect rates for the protection of persons and industries on its line to meet market and carrier competition, either within or outside the Maritimes, without running the same risk of repercussions and complaints under the Railway Act.

Q You make the statement there that if the Intercolonial Railway, if the railways which are called the Eastern Lines had running rights over the Canadian National Railways to Toronto - they do not have that today?

A No, it is all one system.

Q Then they would be deemed to be a separate entity for rate-making purposes, and it would be within the discretion of the management of the system thus constituted to effect rates for the protection of persons and industries on its line to meet carrier competition. Do you mean to say they cannot do that today?

A It is not exactly the same. Here is the situation. We go back to the first paragraph of my basic recommendations. It is all one system.

Q You mean they have not got the incentive to do it?

A For example, let us say between X and Y in

Ontario they establish a rate because of conditions and circumstances, competitive or otherwise, in that particular area. They could not very well establish a rate from Halifax or Moncton to the same destination in Ontario without having the same conditions and circumstances prevailing. However, if they were a separate railway for rate-making purposes, or if they were a separate railway, assuming that, they could establish rates of their own without running into the same risk of repercussions and complaints under the Railway Act.

Q What do you want done about it?

A I am coming to the recommendation.

COMMISSIONER ANGUS: Q. In effect the railway is free to meet competition as it likes, carrier competition rather than market competition, or does it include both?

A It includes both.

Q Are there not complaints sometimes about shippers' access to markets being made too easy for a particular shipper?

A That is quite true. There is where the situation arises under a system that is transcontinental, but if on the other hand it was a separate railway for rate-making purposes it is at their own discretion to adjust or alter rates as they see fit.

MR. SINCLAIR: Subject to complaint.

MR. O'DONNELL: The Board of Transport Commissioners has control.

THE CHAIRMAN: Q. Whoever said this - it is a judgment in some case - that it is within the discretion of the carrier whether it shall meet competition, that

surely must mean carrier competition?

A Yes. It is within the discretion of a railroad to meet any kind of competition, carrier competition.

Q It may be truck or water competition?

A Yes. I will give you a specific illustration.

Q We know that, but the question addressed to you went further than that. Does it mean market competition? That is a very different thing.

A Yes, I would say yes in respect to market competition.

Q Who is interested in the market? It is not the railways?

A I will give you a specific illustration of that. We will take grapefruit from California going into the eastern United States and grapefruit from Florida. The I.C.C. in prescribing maximum rates, holding down rates, in that particular case have held down the rates in order to protect the growers of grapefruit in California. That is the element of market competition. They have done that to protect the growers of grapefruit in California, and vis-a-vis the growers of grapefruit in Florida.

Q We know there are competitors in every market, but that is not the question here. The question is when it is set out that the carrier may meet competition surely it must mean competition by other carriers?

A Yes, but you see he may also --

Q We are not talking of what the Board may do or what somebody else may do. It is something which the Judgment says is in the discretion of the carrier whether it shall meet the competition or not. I do not see how

that can mean anything else than competition by somebody else, some other carrier, or truck or water?

A. Put it this way --

Q You are giving the discretion to the railway?

A Yes, I admit that, but at the present time, a particular industry on the line might approach the railway for a rate to go into the Montreal market, and they want to get a particular rate to facilitate getting their stuff into that particular market because of market competition with other sources of supply.

Q That is the shipper?

A The shipper. It is still discretionary with the carriers whether or not they will do that.

COMMISSIONER ANGUS: Q. Is it discretionary there? Has another shipper not got the right to make a complaint to the Board with the expectation that he may get some relief? Has the railway a free hand?

A In connection with competitive rates the railway --

THE CHAIRMAN: Q. Yes, but you must not mix up the meaning of the phrase "competitive rates". So far we have only heard it used to mean competition between carriers in the different media of carriage, railways competing with trucks, competing with water. That is right, is it not? It is a competitive rate and this judgment leaves it entirely to the discretion of the railway.

A To implement the competitive rates?

Q Yes, it is within the discretion of the carrier whether or not it shall meet the competition. Surely that must be confined to competition to itself as a carrier.

MR. SINCLAIR: Within their discretion they can also meet competition from markets. I notice in the 21 per cent judgment there is the decision referred to in the case of Montreal Board Produce Merchants Association versus the Grand Trunk and C.P.R., 9 C.R.C. 232. I think this extract might be helpful.

THE CHAIRMAN: What does it say?

MR. SINCLAIR: "The Board has also held that it is in the discretion of the railway whether it shall or shall not make rates to meet the competition of markets. The same principle applies here as in the case of water competition."

I think that is what Mr. Matheson is trying to say.

THE CHAIRMAN: The competition of markets in what sense, in the railway getting the traffic to a market?

MR. SINCLAIR: As I understand it --

THE CHAIRMAN: To meet the competition of markets.

THE WITNESS: Here is a case --

THE CHAIRMAN: Just a minute. What is that case?

MR. SINCLAIR: Montreal Board Produce Merchants Association versus Grand Trunk and Canadian Pacific, 9 Canadian Railway Cases, 232.

THE CHAIRMAN: What year was that?

MR. SINCLAIR: I guess that would be 1912. In support of that proposition it also cites another case, British Columbia Sugar Refining Company versus the C.P.R., reported in 10 C.R.C., at 171.

MR. O'DONNELL: It all gets back to whether or not the railway will meet the competition. It all gets back to whether or not the railway wants to take the business.

The railway can give a reduced rate subject to it not being discriminatory and, as Dr. Angus says, open to complaint if it is. It can allow a shipper a rate on that basis, but it is always subject to the control of the Board, and if anyone is prejudiced he has the right to complain.

THE WITNESS: The main point is, however, and I will refer to that case, 14 C.R.C. I say in the brief:

"It is well to remember that it is an established principle in rate regulation in Canada and the United States that the rate on one railway is not necessarily the measure of the rate to be charged on another railway."

That brings that in as well, you see.

MR. O'DONNELL: In that very case it was said in part:

"It is not the Board's function, as delegated by parliament, to make rates to develop business, but to deal with the reasonableness of the rates, either on complaint or of its own motion."

It goes on to say --

THE CHAIRMAN: What are you reading from?

MR. O'DONNELL: I am reading an extract from the British Columbia case involving the Express Traffic Association, 14 C.R.C., page 178. It goes on to say:

"As it has not been established that the rates as charged are unreasonable, the Board is not justified in ordering the installation of the experimental rates asked for."

It all gets back to that. The railway meets the competition as it pleases.

THE CHAIRMAN: Q. I am not satisfied that the word "market" there means what you say. It seems to me it is competition to carry the goods to a certain market, not between two markets. Have you in mind two different markets?

A Yes, between two markets. We will take an illustration. Let us take sugar originating in British Columbia and entering into the Winnipeg market. Let us say sugar is originating down here and also entering the Winnipeg market. Let us assume that they were able to get into that market at a lower cost. Let us say that the sugar originated even in Alberta and they were able to get in at a lower cost by another railway than in respect of this other traffic from this section. They could say, "well, we have a fairly good case." It is discretionary with the railways whether they will facilitate getting that into the market under the Railway Act at the present time. That is market competition, facilitating the getting of it in to meet competition in the market of Winnipeg with sugar originating at another refinery.

Q Yes, but as carriers when they get the traffic they are not out to build up a market?

A I think the point is, in so far as our industry here is concerned, that if the railroad was a separate entity for rate-making purposes it would be to its interest to get all the traffic it possibly could to go into the Toronto market, and if, for example, there was a rate reduction into that market by another railway, or by another transportation media, they would effectuate a rate to get into the market. I think in my brief

before the Sirois Commission I gave an illustration of that by a statement by Mr. Budd, President of the Burlington Line where he was referring to the effects of competition local in character in some territories having a widespread effect on rates of other larger territories because other industries endeavoured to protect themselves, industries on the line, in order to get traffic into that market.

Q We had better go on.

A It is therefore recommended that consideration be given to such legislative changes that might be required:

1. To have the Intercolonial Railway and such other railroads which constitute the "Eastern Lines" deemed a separate railway for rate-making purposes;
- 2 To extend the "Intercolonial system" for rate-making purposes so as to include Toronto, Ontario, and/or such other points in Ontario that might be essential for the "system" to function effectively to that end, by means of running rights over the Canadian National Railways from the existing limits of the "Eastern Lines".

Q You are making that recommendation because you assume that unless you have a separate railway you cannot have this lower rate?

A That is right, Mr. Chairman, and following that to recognize the inherent purpose of the Intercolonial Railway to facilitate getting goods from the Maritime Provinces to the larger markets of Ontario and Quebec.

Q Of course I must say that I am not satisfied

yet that your assumption is well founded that it must be a separate railway or you cannot have a lower rate.

A Well, under the present --

Q We will have to deal with that later.

A The proposal also contemplates that the management of the "system" for rate-making purposes will be located at Moncton, N. B. with complete administrative powers in the interests of persons and industries located on the "system" in the Maritime Provinces.

Q Instead of going to all the trouble of dis-associating the railways would it not be more simple to amend the Act and say that this thing may be done? You want to go through the process of breaking up the present Eastern Lines system, disassociating it into separate parts, in order to meet a rule of rate-making. Why not alter the rule of rate-making instead?

A If that is more effective and easier and simpler, Mr. Chairman, that would be recommended.

MR. FRAWLEY: You would settle for that, would you?

THE WITNESS: Now the question arises here at this point, and I should interject: What about the Canadian Pacific Railway under a set-up of this kind? It would have the preogative to meet competition, or not, of the other railroads. The Canadian Pacific Railway extends from Saint John across Canada, and it also has connections within the Maritimes to Halifax, with the Dominion Atlantic Railway.

What if the Canadian Pacific Railway considered that the rates would not be compensatory in relation to their particular set-up? In that case, if that could be indicated, then, on the over-all proposal it would seem that the industries and the Canadian Pacific Railway and other railways should not be prejudicially affected, and their cases should be submitted to the Board of Transport Commissioners for determination; and any difference which they found unjustifiable -- or justifiable, as the case may be -- should be a matter for adjustment. The Maritime Freight Rates Act should be sufficiently broad to allow for considerations of that kind, in connection with the Canadian Pacific Railway.

It is fundamental to the proposal that any "statutory advantages" of the Maritime Freight Rates Act, in its present or amended form, should not be affected.

The Intercolonial System as constituted would continue to function as part of the integrated organization known as the Canadian National Railways, except that in respect of rate-making it would in effect be a separate entity with separate managerial powers for that purpose and subject also to the jurisdiction of the Board of Transport Commissioners.

The proposal is not a new departure in respect of exceptional provisions in connection with operations of parts of the Canadian National Railways.

Since this was written, I have checked up in connection with the Hudson Bay Railway and I have the latest information which I think should be incorporated herein. So I shall finish the reading of this statement on pages 83 and 84, and then I shall refer to the other changes which took place as of August 1st, 1948.

It is to be noted that the Hudson Bay Railway has been for a considerable time operated as a separate part of the Canadian National Railways.

THE CHAIRMAN: Q. As a separate part?

A. That is right; as an integrated part.

Q. Then how should it read?

A. For a considerable time it operated as a separate part of the Canadian National Railways.

Q. What do you mean by "separate part"?

A. By Order in Council P.C. 974 of June 25, 1926, an agreement was sanctioned for the management and operation of the Hudson Bay Railway by the Canadian National Railways; and the Department, since then, on April 1st, 1935, -- and when I say Department, I mean the Department of Transport -- provided for operation deficits, and appropriations for additions and betterments. In other words, the Hudson Bay Railway was operated as the Hudson Bay Railway.

In this connection, at the hearings before the House of Commons Sessional Committee on Railways and Shipping on March 29, 1949, Mr. R. C. Vaughan, in reply to a question put to him by Mr. Jackman as to whether it

would make much difference if the Hudson Bay Railway were operated in its present manner or as an integrated part said -- "I cannot see that it would make much difference."⁽¹³²⁾ Then again, the Canadian National Railway Company is exempted in certain matters from the jurisdiction of the Board of Transport Commissioners.⁽¹³³⁾

On August 1st, 1948, by Order in Council 3340, the management and operation of the Hudson Bay Railway was entrusted to the Canadian National Railways.

THE CHAIRMAN: Q. You say, August 1st; of what year?

A. 1948. Up to that time, that is, from 1926, it was operated "as under construction" by the Canadian National Railways as an agent of the Department of Transport. But under the new arrangement, the Hudson Bay Railway accounts continued to be maintained separately from those of the Canadian National Railways, and there were separate appropriations made for operations and for additions and betterments to the railway; and, separate reports are filed with the Dominion Bureau of Statistics. So, as of August 1st, 1948, this railway became subject to the jurisdiction of the Board of Transport Commissioners.

Q. Are you suggesting that something similar be done in connection with the Eastern Lines?

(132) Minutes of Proceedings and Evidence House of Commons Committee on Railways and Canals, March 29, 1949, p. 97.

(133) See Section 17 of the Canadian National Railways Act as amended by s. 2 of Chapter 10 of the Statutes of Canada, 1929.

A. In respect of the separate operation, this is not a new departure. What we are suggesting here is not a new departure in connection with the Canadian National Railways.

The Hudson Bay Railway was operated -- although its case is not altogether on all fours with what I am proposing here -- but it is indicative of the fact that there was an arrangement of that kind which went into effect, of a similar character, but not identical.

Then again, the Canadian National Railways are exempted, in certain matters, from the jurisdiction of the Board of Transport Commissioners, by section 17 of the Canadian National Railway Act.

Q. What is the nature of those exemptions?

MR. O'DONNELL: Expropriation powers, and things of that kind.

THE WITNESS: Branch lines, but nothing in connection with freight rates, and so on, that do not come under the Railway Act.

MR. O'DONNELL: They may expropriate without going through the provisions laid down in the Railway Act, branch lines and things of that kind. But rate making and things of that kind follow the provisions of the Act.

THE WITNESS: I have it in my brief, in connection with the Canadian National Railway Act.

THE CHAIRMAN: Q. It has nothing to do with the making of rates?

A. No, but they can provide for exceptions.

Q. Why do you mention it here?

A. To show there have been exceptions made, although not in connection with freight rates; but rather that they have made exceptions from the Railway Act in connection with the Canadian National Railways, particularly with respect to the construction of branch lines.

Q. There is no reason why parliament should not do what it likes about legislation?

A. The proposal commends itself for the following reasons:

1. It would facilitate the making of such adjustments as might be required to cope with changing competitive conditions outside the Maritimes -- conditions that were not foreseen by the Duncan Commission at the time of its investigations.
2. It would function in consonance with the Railway Act as presently constituted.
3. It should enable a broader scope in the establishment of special rates when conditions and circumstances, competitive or otherwise, would justify the establishment of such rates.
4. In conjunction with the Maritime Freight Rates Act it would facilitate the attainment of the objectives sought in the construction and, for a time, in the rate policies of the Intercolonial.
5. It would not derogate from any advantages redounding from the physical "integration" and operation of the Canadian National Railways.
6. It should also facilitate in the maintenance of arbitraries that existed prior to the 21% increase effected on April 8, 1948.

THE CHAIRMAN: Q. How would you answer people in other parts of Canada who would make similar proposals to get around some rate-making rule? Would you break up the Canadian Pacific Railway here and there and call them different lines? Do you think that would be sustainable at all? Or is there a special reason why it is sustainable in your areas?

A. The purpose and intent of the Intercolonial Railway was the basis, and I have tried to develop it in the first part of my brief. A national railroad, in some respects, is like a public works. And it was always recognized that low rates had to be in effect in order to afford persons and industries in the Maritimes the opportunity to get their goods outside.

COMMISSIONER ANGUS: Q. With this separate management at Moncton with complete administrative power over the system in the Maritime provinces, do you say that it would have a complete discretion in lowering rates? Is it suggested that it would have nothing to do with the cost of the system?

A. I am not going that far.

THE CHAIRMAN: Q. It would still be under the supervision of the Board of Transport Commissioners?

A. They would still come under the Board of Transport Commissioners, and under the Maritime Freight Rates Act, under section 7.

Q. This is just a way to get around a certain rule for making rates which do not suit you. Why do you not ask the Commission that the rule be abrogated? Would that not be a much simpler way?

A. I am trying to associate it with the national

policy aspect of the Intercolonial Railway. That is the reason why I am doing it.

Q. What would the answer be if other parts of Canada should come and claim similar favourable adjustments? British Columbia, for instance?

A. If they had a case.

Q. If they came in, too?

A. If they had a case which had the same factual background as any particular case with the Intercolonial Railway; if they wished to have it approached that way, it might be an answer to their particular problem.

Q. But it would break up our present railway system into a whole lot of smaller units so that they could compete with each other without infringing a certain rule?

A. I can see your point about the break-up; but I am endeavouring here to tie it up with our national set-up and the purpose and intent of the Intercolonial Railway.

Q. But would it not be simpler for parliament to say that, such being the original intent of the Intercolonial Railway, certain rules shall apply to the making of rates there?

A. That would be much easier, I agree with you.

Q. That is, if parliament should accept your proposal, that the understanding which you say existed at the time of Confederation must be maintained, then the simpler way to maintain it would be this way, would it not?

A. If that would function without any conflict with the Acts as at present set up.

Q. But a special Act always overrides a general Act. You already have the Maritime Freight Rates Act which overrides the other Acts?

A. That would be quite in order.

Q. If it is to be done at all, that would seem to be the way to do it.

COMMISSIONER ANGUS: Q. Would one of the virtues of this separate management at Moncton be that you could not imagine it going and asking for a 30% increase?

A. No. I think they would be involved in connection with the Canadian Freight Association, in connection with their application. I think they would be involved in the picture as well.

Q. Involved in what way? If this management is to have a free hand in establishing special rates under special circumstances, would not the tendency always be towards lower rates?

A. If, in order to protect their industries, it was necessary to lower the rates, they could adjudicate on the matter without having to refer to Montreal.

Q. But they would have no responsibility of producing revenue on the line?

A. I would not say that. They would still have a certain field in which they could work in connection with that.

THE CHAIRMAN: Q. You say on page 82 that they could effect rates for the protection of persons and industries. Those are the kind of rates you have in mind?

A. That is right, in order to protect their industries.

Q. I am not finding fault with your objections. I am just recalling them. Would the fact that, in 1912 this railway began to be -- as Mr. Cochrane the then Minister of Railways said, that he was going to make

it pay from then on -- and you say the Maritime provinces have suffered from that policy; that is, that the railway should not be considered as something which is going to pay its way, but rather as something to protect the business and industry on its line by affording them a market; and you want to go back to that?

A. We want to see that that is maintained.

Q. The Maritime Freight Rates Act was a measure to give you part relief in that regard; and you want full relief?

A. Yes. At the time the Maritime Freight Rates Act was passed, the Duncan Commission did not have before it competitive conditions and changed conditions which have evolved since 1927. Conditions have changed in the interval; and for that reason, the thing should be looked upon in the light of changed conditions which were not evolved at the time of the Duncan Commission.

MR. O'DONNELL: My understanding of what the Duncan Commission was to do was: exactly, once and for all, to adjust the matter. My friend has not got these important words which appear at page 23, where he speaks of a broad measuring of these considerations, and all these arguments concerning strategic, national, imperial, and other conditions attached to the Intercolonial Railway.

And the Duncan Commission said at page 23 of its report:

"We think that this broad measuring, once and for all, of these considerations has such decided advantages that it should not be qualified or delayed by minor criticisms."

They recommended a 20% freight reduction to allow this

railway, in the future, to be dealt with as all other railways, because, in that adjustment of . 20%, these questions are all removed from the sphere of controversy. The cost of reduction is a matter that can be measured definitely" The cost of reduction is a matter that can

be measured definitely and conclusively for each financial period without any complication or confusion to the financial operations of the consolidated system, . . ."

And they said, also:

"It separates completely considerations of national public policy from considerations of railway policy proper. It restores the original purposes of the Intercolonial Railway as interpreted by the freight structure prior to 1912, without withdrawing it from the consolidated system of national railways, a step which we think would be retrograde, and, in the end, very unsatisfactory."

And they said, as I read it; that these considerations of national, imperial, and strategic conditions, attaching to the Intercolonial Railway, can be broadly assessed on the basis of the reduction which we recommend -- and that resulted in the adjustment of 20%.

The Duncan Commission did not think it was doing a partial job, but rather a full job. And they further comment that while it might be debated as to whether or not this 20% figure was arrived at in a scientific way or in the broad way they speak of, they set the point out at page 22. This paragraph is important:

"It might be contended that a flat rate reduction of the amount we name and in the manner we name, is open to the objection that it does not restore the pre-1912 relativity of rates within the provinces themselves, and that it is not an accurate assessment of the charges that arise from the consideration in mind. We do not believe - and the Canadian National Railways have informed us that they also do not believe -- that any accurate or equitable result could be maintained by minute and scientific investigation, which would, in any event, take an indefinite time to conduct. The situation is one that can only be dealt with in a broad spirit, and one that for the economic welfare of the Maritimes must be met without delay. The course we suggest has the effect of giving immediate relief in a manner that is equitable as well as broad. The cost of this relief should be definitely borne by the Dominion Government, who will make the necessary reimbursement to the Canadian National Railways . . ."

(Page 3655 follows)

But my submission is that, while my friend's brief has throughout in various places very carefully made use of such expressions as "partially adjusted" and so on, the Duncan Commission felt that it was adjusting those matters once and for all by the reduction of 20%, and that from then on the I.C.R. would follow the up-and-down flow of increasing or lowering costs, and that is why the Act itself has that provision in section 32(b), that the Board may allow the increase or reduction of tolls or tariffs from time to time to meet increases or reductions as the case may be in the cost of operation.

THE CHAIRMAN: Does not experience show that nothing is ever done once and for all?

MR. O'DONNELL: I suppose so; but those questions at that time were considered settled once and for all.

THE CHAIRMAN: If conditions got such that the Maritime Freight Rates Act furnished no relief at all --

MR. O'DONNELL: That is something else.

THE CHAIRMAN: That is something else. Mr. Matheson's argument is to the effect that the relief furnished by that Act has been impaired by the change in conditions.

MR. O'DONNELL: That may be, but Mr. Matheson put it a little differently from that. He said, as I read the brief, that at the time the Duncan Commission made that recommendation it was merely a partial settlement.

THE CHAIRMAN: No; they thought they were

settling it once and for all.

MR. O'DONNELL: If there were changes since that is something else.

THE CHAIRMAN: But here we are to-day doing what we are doing, so it was not made once and for all.

MR. O'DONNELL: No, but he is going back to the pre-Confederation agreement, so-called, and so on.

THE WITNESS: We argued that, Mr. Chairman, at the time of the freight rate case and the review. Mr. O'Donnell had the same argument.

MR. O'DONNELL: And it prevailed at that time too.

THE WITNESS: And we took the opposite stand, that "once and for all" was a sort of rhetorical sweep -- instead of having all these little bits and pieces, individual rates and so on, have them all considered en masse, and get one considered here and a reduction here -- that this "20% once and for all" was a sweep.

THE CHAIRMAN: It was apparently considered at the time that what had been done was final and conclusive and unalterable; within a few years they undid the whole thing.

MR. O'DONNELL: Mr. Macdonald said yesterday he wanted a Commission to end all commissions.

MR. FRAWLEY: Just expressing a hope.

MR. FRIEL: Another rhetorical sweep.

THE CHAIRMAN: Q. Anyhow, that you want now is some set-up whereby the industries and the persons along the line of railway will be protected?

A. That is right, Mr. Chairman.

Q. Whether the railway makes money out of it or not;

any deficit thereby incurred will be met by the Dominion Parliament, and you say that would be a proper carrying out of the obligations of Confederation?

A. I think there has to be a reasonable cushion there. You have to take cognizance of the construction of the railway 250 miles longer than necessary; you have to take all these factors into consideration when you say that. Far be it from me to suggest that traffic would move at nothing at all. It is something that has got to be weighed in the balance.

COMMISSIONER ANGUS: Q. What would constitute a floor of the freight rates?

A. That, Commissioner Angus, would be one that would have to be very carefully appraised and analyzed, because you would have to take into consideration the different railroads that have been saddled on the Intercolonial or on the Canadian National Railways. I think I have mentioned one instance, where the loss, with three railroads put on the Intercolonial between 1929 and 1931, was a million and a half each year. Those railways have created quite a burden. Now we have, for example, the Newfoundland Railway coming into the picture, so there would have to be some determination to just strike at the balance of what would be the national cost, so to speak, from the public interest point of view.

Q. What would make that determination? The management at Moncton, or the Board of Transport Commissioners, or the management of the Canadian National Railways? Where would that balancing of national policy and so on with a view to fixing these rates be made?

How would it be done?

A. Are you speaking of the specific rates, Commissioner Angus, or the over-all picture? Let us say the Canadian National Railways, under certain conditions and circumstances, or the eastern lines, lost a couple of million dollars, and for years they have been losing a couple of million dollars; let us say now the Newfoundland Railway comes into the picture or some other railway is thrown in, say the Temiscouata, and their deficit now becomes five million odd. Well, there is an over-all picture. You cannot very well take out specific rates and say that these will have to be weighed, you have got to look at the over-all aspect, and I believe, in answer to your question, that that would necessitate a sort of --

MR. O'DONNELL: Subsidy.

THE WITNESS: It does necessitate a subsidy, Mr. O'Donnell, in the sense of reimbursement because of national policy. And that will necessitate an inquiry or an investigation by the Board to determine, or whatever recommendations emanate from this Commission, by the body that is constituted to look into this particular matter. Now, I think there will be a certain discretionary field on the part of management, on the part of the railways, when they come to implement a reduction or an adjustment in rates.

THE CHAIRMAN: All right, go on.

THE WITNESS: As a complement to the proposal enunciated, it is also recommended that the "normal"

(134)

class arbitraries over the rates from Montreal which existed prior to April 8, 1948, from stations West of Montreal in Ontario territory to stations in the Maritimes, using Saint John as a base, be maintained in relation to any general percentage increases that might be prescribed, and where commodity rates are published such arbitraries be applied as maximum over Montreal at the class of the commodities so treated; the class rates from Montreal to Saint John to reflect the average percentage changes in respect of rates from the Central Ontario territory and stations in other groups in the Maritimes to retain the arbitraries over Saint John which also existed on April 7, 1948.

This recommendation is illustrated as follows:

(134) In the matter of arbitraries and the competitive position of the Maritimes, the Board of Railway Commissioners in the so-called Crow's Nest Pass Case stated as follows: "Between the Maritime Provinces and Western Canada, the published through rates are built up on arbitraries or additions to the normal Montreal rate, and by reason of the much greater distance, the Maritime shipper is, under ordinary conditions, naturally at some disadvantage in the matter of freight rates, as compared with Ontario. (29 C.R.C., 239 @ p. 250) .

(Rates in cents per 100 lbs.)

1st class rate Toronto, Ont., to Saint John, N.B. as on April 7, 1948-----	115
1st class rate Toronto, Ont., to Montreal, P.Q. (not competitive)-----	<u>83</u>
Arbitrary over Montreal- - - - -	<u>32</u>

MR. FRAWLEY: Mr. Matheson, how can you say that rate is not competitive between Toronto and Montreal?

A. There is another class rate in effect during the summer months, which is known as the competitive class rates between Montreal, Toronto and Hamilton.

Q. This is the one that is not competitive?

A. This is not competitive. This is related to the so-called Schedule A basis.

1st class rate Toronto to Montreal increased 21% April 8, 1948-----	100
--	-----

1st class rate Toronto to Saint John based on April 7, 1948, arbitrary over Montreal-----	132
--	-----

% increase to Saint John would be approximately----	<u>15%</u>
---	------------

1st class rate established April 8, 1948 Toronto to Saint John-----	139
--	-----

By application of the Maritime Freight Rates Act to the 1st class E.B. Rate, the Westbound 1st class rate Saint John to Toronto would be approximately-----	119
% increase from Saint John would be approximately--	<u>15%</u>

Whereas 1st class rate established April 8, 1948 Saint John to Toronto----	126
---	-----

The brief does not definitely propose the means by which the arbitraries will be constantly maintained. Now, if this can be most effectively accomplished by a specific stipulation in the Maritime Freight Rates Act, it is so recommended.

THE CHAIRMAN: Q. At about the middle of that table:

"1st class rate Toronto to Saint John based on April 7, 1948, arbitrary over Montreal-----132". You are assuming there that the arbitrary is not being changed?

A. That is correct, Mr. Chairman.

) But that the rest of the rate is increased 21%?

A. That is right, Mr. Chairman; in other words, maintaining the arbitraries constant, and that would have resulted in a 15% increase. You see, I am using the eastbound rate, because that is the normal basis for reimbursement under the Maritime Freight Rates Act, and then I work it out in applying the Maritime Freight Rates Act westbound, and I find that it also works out to approximately 15%. In other words, we get a rate of \$1.19 as compared with the 1st class rate established on April 8, 1948, Saint John to Toronto, of \$1.26.

It is to be stressed that the recommendation respecting the maintenance of class arbitraries is without prejudice to the important and advisable proposal of excepting basic and primary commodities, including foodstuffs, from uniform percentage increases by means of alternative measures when it appears that persons and industry might otherwise be prejudicially affected or handicapped.

The recommendation respecting the maintenance of arbitraries is proffered as:

1. It would tend to mitigate the effects of percentage increases in disrupting rate relationships.
2. Arbitraries have been basic in the Maritime

rate structure.

3. It is a device commonly used by some regulatory authorities in prescribing rates by "giving diminishing weight to distance and increasing weight to competition as the length of the haul increased. (135) "

Unfortunately, I have not got the case reference to that, Mr. Chairman.

THE CHAIRMAN: What year is it?

A. January 3, 1949.

MR. SMITH: Q. You have the pamphlet copy, have you not?

A. I have the pamphlet copy, which I can lend to the Commission.

(136)

4. It safeguards the consumer interest.

5. To the extent that it would assist in affording "the Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritimes" it would be compatible with the purpose and intent of the Intercolonial Railway.

(135) U.S. Supreme Court decision in the matter of the Appeal of Ayrshire Collieries Corporation, etc., vs. The United States of America Interstate Commerce Commission, et al - dated January 3, 1949.

(136) Ibid.

I just want to quote here from the United States case decision, Ex Parte 166, 270 I.C.C., 403, at pages 454 and 455. The Commission said as follows:

"There are many commercial relations which the adjustments already allowed by us or proposed by the carrier would necessarily disturb temporarily but which would be capable of correction within a reasonable time. There are also other situations where the allowance of any increase of substantial size must disturb pre-existing relations beyond the possibility of remedial correction so as to maintain the former competitive status. We have the assurance of the petitioners" -- that is, the railways -- "of their intention to proceed by voluntary discussion and co-operation with the shippers and representatives of markets to advise and endeavour to put into effect such measures as will restore former competitive relations as completely as possible. We expect full and prompt compliance with these representations in the spirit of the proceedings. Restoration of rate relations should not be made the excuse for further increasing revenues or bettering the competitive situation of the carriers. As in previous cases of this character, we tender the good offices of our staff negotiations or advice as to technical features."

Changes in the Maritime Freight Rates Act might be considered in connection with the latter proposal so that reimbursements to the carriers could be predicated upon what might be described as

normal rates that otherwise would apply eastbound as a base but for the maintenance of the arbitraries existing on April 7, 1948.

I am suggesting that, as the carriers themselves might feel that their revenue requirements under certain conditions and circumstances, in the over-all picture, would justify reimbursements, and instead of having the arbitraries, the normal arbitraries, eastbound as the normal basis for reimbursement, that the reimbursement could be predicated on the status quo, so to speak, that exists to-day or that might be altered due to changing conditions and circumstances in due course.

Suggestions have been made that the maintenance of relationships and the purpose and intent of the Intercolonial Railway would be countenanced if, instead of the reduction under the Maritime Freight Rates Act being "approximately twenty per cent" on the preferred movement proportion of the through rate, it should be made a higher percentage as freight rates are increased percentage-wise.

The following simplified illustration shows the manner in which the statutory rate would be determined:

Let it be assumed that the eastbound rate from X outside the "select territory" to Y in the "select territory" is \$1.50 per 100 lbs., and that the mileage is divided 50-50 in each territory - therefore the westbound rate under the Maritime Freight Rates Act would be roughly determined as follows:

Proportion of rate west of Diamond Junction-----\$.75

Proportion of rate east to Diamond Junction
- Less 20% - .75 less .15 ----- .60

Westbound rate -----\$ 1.35

Eastbound rate as increased 21% -----\$ 1.82

Westbound rate as increased 21% -----\$ 1.63

The new normal rate as a basis for
reductions and reimbursements under the
Maritime Freight Rates Act is
therefore -----\$ 1.82

On the basis of say a 30% reduction of the "select
territory" proportion, the approximate rate is
obtained roughly as follows:

Proportion West of Diamond Junction -----\$.91

Proportion East of Diamond Junction
.91 less .27 ----- .64

Rate Westbound -----\$ 1.55

The determination of an appropriate percentage
reduction of the preferred area proportion to lessen
the impact of uniform percentage increases
would require some method of reconciliation in relation
to the effects of uniform percentage increases. The class
arbitraries over Montreal offer one approach. Another
would be the time-consuming analysis of each rate factor
and a multitude of facts. The principal weakness in
the application of an increased percentage under the
Maritime Freight Rates Act is that in and of itself
there would not be any lessening of the effects of
uniform percentage increases on long haul traffic
eastbound.

Another proposal is that any percentage
reduction under the Maritime Freight Rates Act should
not be limited to the "select territory" proportion

of the through rates, but should be applied to the rate from the originating point in the Maritimes to all destinations in Canada.

I am referring there, Mr. Chairman, to the preliminary briefs of some of the provinces and their recommendations with reference to all of which I say:

In the final analysis the methods and measures are supported which are best suited to the attainment of the necessary objectives of -

1. Encouraging Maritime industries to obtain access to the larger markets of Canada.
2. Lessening the burden of uniform percentage increases on long distance traffic, particularly in the case of basic and primary commodities.
3. Safeguarding the consumer interests while maintaining a "differential between" under the Maritime Freight Rates Act.

Mr. Chairman, I want to check that word "differential". This is the second time I have used it.

THE CHAIRMAN: You mentioned that this morning.

THE WITNESS: I gave "discrimination".

THE CHAIRMAN: You gave me a reference to where it had been, where you found it.

THE WITNESS: Section 314 of the Railway Act.

COMMISSIONER ANGUS: Q. Discrimination?

A I am a little hesitant. I have used "discrimination between". This is the second time I have used it. I want to check that to make sure if I am not actually meaning "differential between". I have in mind the same thing. In other words, what I had in mind was that the 20 per cent reduction westbound would always be maintained in relation to any scale of rates that are established.

THE CHAIRMAN: Q. You quote where it is found somewhere?

A Yes, Mr. Chairman.

(d) International Rates

Since March, 1938, the rate structure between the Maritimes and the United States has been subject to substantial increases. Effective on March 3, 1938, the class rates between Eastern Canada and what is known as Official Classification Territory in the United States were subject to complete revision. In so far as the Maritime Provinces were concerned the revision resulted generally in considerable increases as exemplified below. When I say "official classification territory in the United States" I am referring principally, without going into minute detail, to the eastern part of the United States, the eastern section, generally speaking east of the Ohio and Mississippi. I have a definition of the Central Freight Association Territory later on.

(137)

TABLE 13

COMPARISON OF FIRST AND FIFTH CLASS
RATES BETWEEN SPECIFIED MARITIME
AND UNITED STATES POINTS ON DATES
INDICATED

(Rates in cents per 100 lbs)

<u>Between</u>	and	<u>Boston</u>		<u>New York</u>		<u>Chicago</u>	
		<u>1st</u>	<u>5th</u>	<u>1st</u>	<u>5th</u>	<u>1st</u>	<u>5th</u>
Saint John N. B.	Mar.3/38	122	49	153	61	212	85
	Mar.2/38	<u>109</u>	<u>43½</u>	<u>151</u>	<u>65½</u>	<u>189</u>	<u>80½</u>
Increase		13	5½	2		23	4½
Decrease		_____	_____	_____	4½	_____	_____
Halifax, N.S.	Mar.3/38	161	64	190	84	215	86
	Mar.2/38	<u>114</u>	<u>46</u>	<u>154</u>	<u>66½</u>	<u>191½</u>	<u>82</u>
Increase		47	18	36	17½	23½	4

As the principal traffic between the Maritimes and the United States moves on commodity rates, with the exception of Christmas trees, this class revision fortunately had only a limited effect.

I wish to point out that some fish and potatoes also move on class rates although we have in effect commodity rates on those commodities.

The new basis was protested, but since the traffic affected by the revision was a small proportion of the total, the matter was temporarily held in abeyance. The principal concern centered around the disregard for the groupings that had existed between so-called Trunk Line Territory and the Maritimes, and also over the possibility that as new industrial and traffic conditions arose the application of class rates, or commodity rates related to the class scales, would restrict the development which otherwise would take place on a more reasonable basis.

Mr. Matheson

Since the adjustment was established the international rates have been substantially raised by a series of increases authorized by the Interstate Commerce Commission (138) and the Board of Transport Commissioners and based on conditions and circumstances obtaining in the U.S., thus accentuating the group disparities in the Maritimes.

As an example, since March 2, 1938, the first and fifth class rates between Halifax and New York have been increased 124 and 107.5% respectively as indicated below:

(139)
TABLE 14.

HALIFAX, N.S. TO NEW YORK, N.Y.
(Rates in cents per 100 lbs.)

	<u>First class rates</u>	<u>fifth class rates</u>
March 2, 1938	154	66½
June 1, 1949	354	138
% Increase	124	107.5

A comparison of the existing first class rates from illustrative Maritime originating points to specified U.S. points with the rates from Ontario points for corresponding mileages is as follows:

(138) Ex Parte 123	Effective March 28, 1938
Ex Parte 148-162	" July 1, 1946
Ex Parte 162 - inclusive of E.P.148 increases	" Jan. 1, 1947
Ex Parte 166 (interim)	" Oct. 13, 1947
(interim)	" generally Jan.5/48
(final)	" May 6, 1948
Ex Parte 168 (interim)	" Jan. 11, 1949
These increases were automatically approved by the Board of Transport Commissioners.	

(139) Tariffs on File Office of Maritime Transportation Commission.

TABLE 15.

FIRST CLASS RATES IN CENTS PER 100 LBS. FROM MARITIME
AND ONTARIO POINTS TO SPECIFIED U. S.
POINTS FOR CORRESPONDING MILEAGES.

From:	To	Shortest Route Miles	1st Class Rate
Halifax, N.S.	Boston, Mass.	748.1	289
Emsdale, Ont.	" "	748	267
Charlottetown, P.E.I.	" "	685	276
Severn, Ont.	" "	685	270
Halifax, N.S.	New York, N.Y.	954.1	345
Dethany, Ont.	" "	952	247

While the general increases in international rates have been substantial, fortunately for Maritime exporters exceptions to the general provisions, including lesser percentages and limitations by maximum amounts, have aided considerably in maintaining relationships on a large volume of traffic. Moreover, limitations to general rate increases as applied to such Maritime imports as oranges and grapefruit have held down increases in consumer prices.

The increases in U. S. influenced international rates since July 1, 1946, have created anomalies in connection with some rates between certain territories, particularly between the Maritimes and stations in what is known as Central Freight Association Territory. (140)

(140) Central Freight Association Territory comprises that part of the eastern United States bounded roughly by Buffalo and Pittsburgh on the east; the Ohio River west to the Mississippi on the south; the Mississippi River north, Cairo, Ill., to East Burlington including St. Louis, Mo., Peoria, Id., to Chicago, Ill., Chicago, Ill., via west bank of Lake Michigan to Kewaunee, Wis., on the west; and Straits of Mackinac to Port Huron, Mich., west bank of Lake Ontario from Toronto to Buffalo via the Niagara River on the north.

1940

10

The following is a list of the names of the persons who have been appointed to the various positions in the various departments of the Government of the State of New York, for the year 1940.

The following is a list of the names of the persons who have been appointed to the various positions in the various departments of the Government of the State of New York, for the year 1940.

The following is a list of the names of the persons who have been appointed to the various positions in the various departments of the Government of the State of New York, for the year 1940.

27. 28

In this connection combinations of class rates over Windsor, Ont., are in some cases substantially lower than the published through class rates between stations in the Maritimes and some U.S. points., as indicated in Appendix 79.

The situation in respect of international rates between Canada and the United States may be summarized as follows:

1. In Both Canada and the United States the regulatory authorities consider published through rates lower than combinations of rates prima facie unreasonable.
2. The effective through rate in Canada or the United States is the legal rate.
3. The jurisdiction of the Board of Transport Commissioners and the Interstate Commerce Commission extend only to the border.
4. The Interstate Commerce Commission has held that it cannot require a joint international rate to be reduced so as not to exceed the aggregate of intermediate rates where one of the factors is a Canadian factor not filed with it and not subject to its jurisdiction.⁽¹⁴¹⁾
5. The Interstate Commerce Commission has also stated that:
"It is well settled that the Commission does not have authority to prescribe through international rates for the future or to require United States carriers to participate in such rates. But when carriers subject to our jurisdiction voluntarily join in joint rates between points in Canada and points in the United States they subject themselves

(141) National Construction Co. v. Canadian Pacific Rly. Co.
222 I.C.C. p. 372

to liability as joint tort feorsors for any damage to shippers by reason of the unlawfulness of such rates, and we may require the United States carriers to abstain from joining in the maintenance of such rates on any higher basis than that which we find reasonable."⁽¹⁴²⁾

In this case the Interstate Commerce Commission found unreasonable rates which exceeded the lowest combination of "(1) the rate of the Canadian carriers from point of origin to the international border and (2) the rate of the United States carriers from the international border to destination, in effect when the shipment was made."⁽¹⁴³⁾

6. The U.S. courts have held to the effect that the Interstate Commerce Commission has authority to determine reasonable international rates and order the railroads in that country to refrain from joining with their Canadian connections in the maintenance of rates higher than those found reasonable."⁽¹⁴⁴⁾

It is patent in that connection that the jurisdiction concerning reasonableness applies only to the proportion of the through rate in U.S. territory."^(145.)

7. The publication of joint through international rates is the result of voluntary agreements between U.S. and Canadian railroads. There is nothing to prevent either party to an international rate agreement withdrawing at any time and leaving only the application of combination of rates over International boundary

(142) Carstons Packing Co. v. Great Northern Rly. 264 I.C.C. 164 at pp. 170 and 171.

(143) Ibid.

(144) News Syndicate Case 275 U.S. 179

(145) National Construction Co. v. C.P. Ry. Co. et al, 222 I.C.C. 372

points, whether such combinations are higher or lower than the through rates which had been in effect.

8. Section 338 of the Railway Act provides that where traffic is to pass over any continuous route from a point in Canada to a foreign country and such route is operated by two or more companies, the several companies shall file a joint tariff with the Board. It appears from the decision of the Supreme Court of Canada in Niagara, St. Catharines and Toronto Railway Co v. Davy ⁽¹⁴⁶⁾ that Section 338 is invalid as United States carriers can not be compelled to file a tariff in Canada.

9. The Supreme Court of Canada has also held to the effect that -

(a) if an United States carrier files a tariff containing northbound rates to points in Canada such tariff is binding on the connection Canadian carriers involved;

(b) on traffic originating in Canada destined to the United States there must be agreement between the Canadian and United States carriers and the joint tariff ⁽¹⁴⁷⁾ must be filed with the Board.

10. The Interstate Commerce Commission has repeatedly permitted joint international rates between Canada and the United States to be increased "to the same extent and in the same manner" as authorized in general revenue cases in the United States. The Board of Transport Commissioners has concurrently

(146) 43 Supreme Court Reports 277

(147) 11 C.R.C. p. 118.

approved the increases insofar as its jurisdiction applied. Failure to do likewise would likely result in the increases authorized by the I.C.C.

accruing wholly to the U.S. carriers as in the case of the temporary increases which became effective on January 4, 1932, (148) or alternatively in the cancellation of joint through international rates.

The publication of joint through rates between Canada and the United States has been of considerable benefit in the free movement of traffic between the two countries and nothing should be done which would in any way disrupt the continuance of through rate arrangements. Yet, it does not appear reasonable that adjustments predicated on conditions and circumstances peculiar to one country should force corresponding adjustments in the other under substantially different conditions and circumstances. (149)

(148) I.C.C. Ex Parte 103 increases.

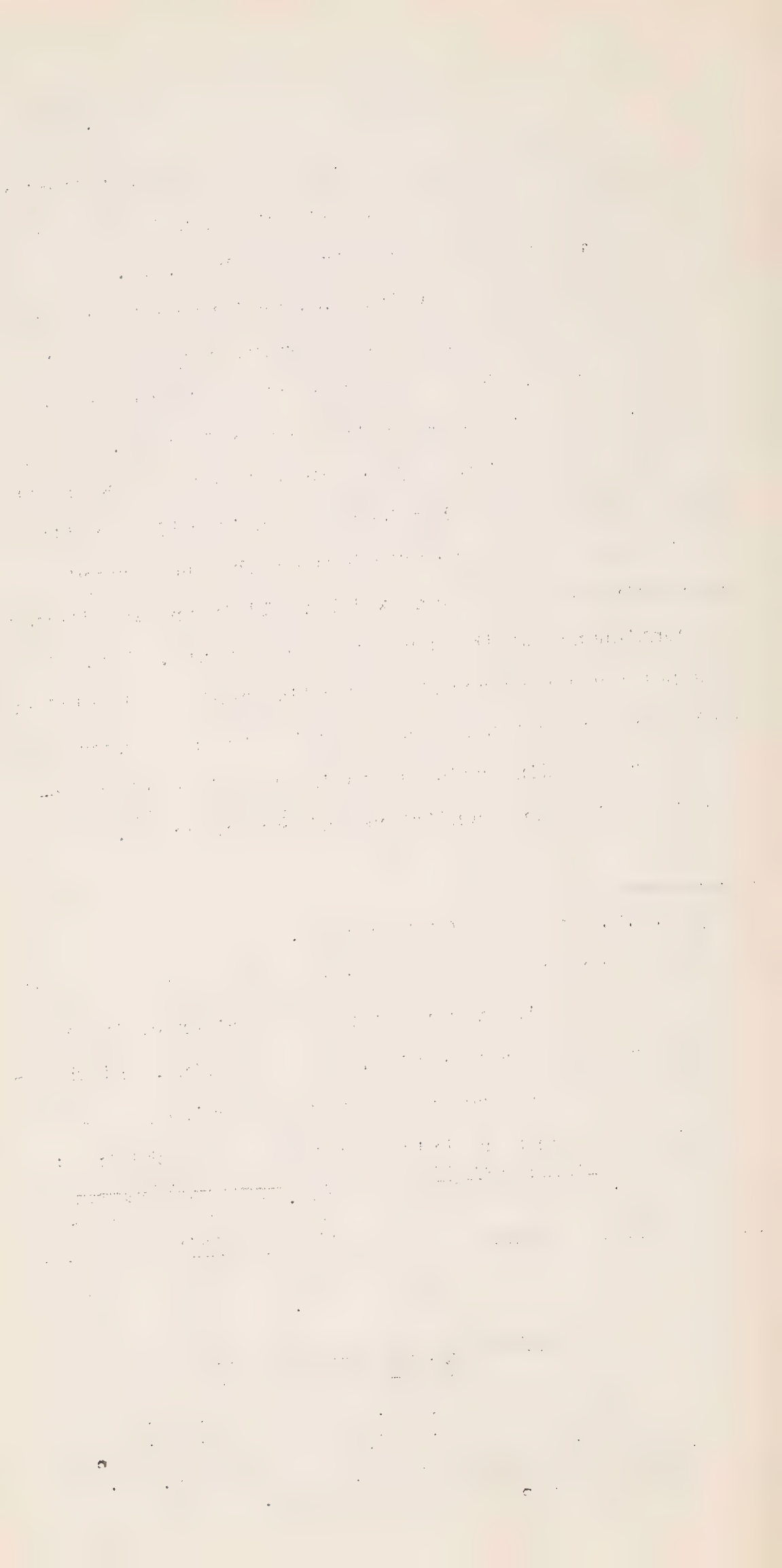
(149) Some concept of the difference in conditions and circumstances is evident from a comparison of indexes of revenue per ton-mile, cost of living, and wholesale prices; also average wages of railway employees in Canada and the United States as per subjoined:

Year	UNITED STATES			CANADA		
	Rev. Per Ton mile	Cost of Living	Wholesale Prices	Rev. Per ton mile	Cost of Living	Wholesale Prices
1938	100	100	100	100	100	100
1948	126	170	210	123.3	151	195

Average Wages per Employee

	<u>United States</u>	<u>Canada</u>
1939	\$1,886.25	\$1,579.26
1948	\$3,564.88	\$2,729.10

Based on information received from the Bureau of Economics and Statistics, I.C.C. Washington, D.C. and the Dominion Bureau of Statistics.



It is abundantly clear that an order of the Interstate Commerce Commission has no legal effect in respect of the proportion of a through rate in Canada. It would seem also that the accrual of all the increases of joint international rates to U.S. lines would result in unreasonableness in many cases vis-a-vis local U.S. rates from and to border points. In fact, to the extent that proportions of through international rates exceed the local rates from Canadian points to border points there exist elements of unreasonableness if the action taken by the Interstate Commerce Commission in the case of National Construction Company v. C.P.Ry.Co. et al⁽¹⁵⁰⁾ can be used as a criterion.

-

-

-

(150) 222 I.C.C. 372 (Supra).

The success of Canadian-United States International Commissions and the need for control over international rates and greater liaison between the Board of Transport Commissioners and the Interstate Commerce Commission justify the consideration of arrangements and the consummation of necessary international agreements to create an effective medium for handling international rate problems.

THE CHAIRMAN: Q. Are you talking now of freight rates?

A Freight rates, Mr. Chairman.

(e) Export and Import Rates.

Canadian export and import rates related to rates to and from United States North Atlantic ports have been increased from time to time to the extent considered necessary to reflect increases authorized in the United States, and to maintain differential relationships and parities with U. S. ports. (151)

I have a very extensive footnote there, No. 151, to which I wish to direct your attention. I endeavour

(151) The port differential rate structure from and to U.S. and Canadian North Atlantic ports is one of long standing. Their origin in the United States marked the beginning of the end of unrestrained competition as a rate-making factor. The application of relatively small differentials in the port rates between Baltimore-Philadelphia and certain eastern areas of the United States below the New York port rates reflect some consideration of the distance factor, while at the same time going a long way in equalizing the competitive positions of the ports. (For history of port differential rate structure in the U.S. see 95 I.C.C. 539).

In Canada, beginning with the construction of railroads to the ports, export and import rates have mirrored the influence of the U.S. Structure. The equalization of maritime ports with other ports in

to abridge what I mean by the so-called port differential rate structure. There is a very interesting and full detailed history of the port differential rate structure contained in 95 I.C.C., page 539.

the differential structure has been almost a continuous struggle. It appears that originally Saint John and Halifax were on a higher level than Portland, Maine. It was not until about 1895 that port rates to and from Saint John were equalized generally with Portland. However, it was not until 1923 that a differential of 1 cent per 100 lbs. over Portland was finally removed from Halifax port rates to and from what is known as differential territory.

The export differential structure took definite form as a result of a decision of the then Board of Railway Commissioners, dated July 25, 1905 (as amended on September, 4, 1905.) An analysis of railway tariffs indicates that, except for some minor variations, the basic relationships originally established by the Board were maintained generally up to March 1938. The port differential relationships may be summarized as follows:

- (1) Between Canadian differential territory and North Atlantic ports the export class rates to Saint John, West Saint John, Halifax, Portland and Boston were the same, while the export rates to Montreal and Quebec were small differentials lower.
- (2) The export commodity rates from points in Canadian differential territory to Saint John, West Saint John, Halifax, Portland, New York, Philadelphia, Baltimore, and other U.S. North Atlantic ports are generally the same with various exceptions due to divers conditions and circumstances. (From the more distant points in the Canadian differential territory the rates to Halifax and Saint John were, in many cases, 2¢ per 100 lbs. over the rates to Montreal and Quebec.)
- (3) The export rates from Central Freight Association Territory in the United States to Halifax, Saint John, Boston and Portland are generally equalized with New York while Montreal is on a parity with Philadelphia, that is to say, generally 2¢ per 100 lbs. below the export rates to New York.
- (4) Import class rates from Saint John, West Saint John, Halifax and Portland were generally the same to Canadian differential territory, and in many cases the import rates from Montreal to points west were lower than from Quebec and Maritime ports.
- (5) The import commodity rates from Halifax, Saint John and Portland to Canadian differential territory were generally the same. While there were some instances in which the import commodity rates from Montreal were the same as from Saint John and Halifax, in most cases the import commodity rates from Montreal were lower.
- (6) The import class rates from Saint John, Halifax, Quebec and Montreal to Central Freight Association Territory have been generally equal to the rates from Baltimore; that is to say, about 8¢ per 100 lbs. first and second class, and 3¢ per 100 pounds for the other classes, below the New York rates.

In the process the parities as between rates from and to the Maritime ports of Saint John and Halifax were generally maintained with U. S. ports, and while the export and import rate differentials of the ports of Quebec and Montreal under the Maritime ports had been concurrently adjusted to reflect long established relationships, the impact of U. S. authorized increases has resulted in domestic rates plus port terminal charges being lower in a large number of cases than the adjusted exports and import rates. The domestic rates plus terminal charges apply as maximum; taking precedence over higher export and import rates. As a consequence, there are many instances in which there exists no semblance whatsoever of the differential relationships, particularly in respect of carload traffic, that existed for years as between Maritime ports and St. Lawrence River ports. For example, where the recognized port differential in the fifth class export rate from Toronto, Ont., to Halifax, N.S., and Saint John, N.B., was in January, 1938, 2 cents over Montreal, this difference emerged on January 12, 1949, at 21 cents per 100 lbs. ⁽¹⁵²⁾ Where the fifth class import differential as between Montreal and Saint John-Halifax to Toronto was in March, 1938, 1½ cents per 100 lbs., it has now become 21 cents per 100 lbs. ⁽¹⁵³⁾ Further detailed illustrations of what has taken place are contained in Appendices 75 and 76, volume 2. It was my intention to refer to those, Mr. Chairman, but time is running short, and I know that tomorrow there is the possibility of cross-examination.

(152) Appendix 75.

(153) Appendix 76.

THE CHAIRMAN: Q. You say you wish to refer to those appendices at this point?

A. I was going to refer to them, but they are quite detailed.

THE CHAIRMAN: We had better wait until tomorrow. It is nearly half-past four. We will adjourn until half-past ten tomorrow morning.

- - - The Commission adjourned at 4.25 p.m. to resume on Thursday, July 14th, 1949, at 10.30 a.m.

- - - -

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUL 14 1949

VOLUME

20

521160

23. 4. 51



Presented to
The Library
of the
University of Toronto
by

Professor H.A. Innis

THE ROYAL COMMISSION ON TRANSPORTATION

Halifax, N.S. Thursday, July 14th, 1949.

Index Page #35
Page

RAND H. MATHESON - Recalled.

Continuing representation of brief on behalf
of Transportation Commission of Maritime
Board of Trade. - - - - - 3684
On: Part One.

3. (e) Export and Import Rates.
(f) Existing rate groupings in the
Maritimes on long-haul traffic - - 3685

EXHIBIT No.48: Memorandum of Points for Dis-
cussion regarding re-grouping
of the Maritime Provinces in
Class Rate Adjustments to Mon-
treal and Ontario Points, dated
June 21, 1927 - - - - - 3690
(g) Routings between the Maritimes
and Other Sections of Canada - - - - 3703
(h) Joint Through rates within the
Maritimes - - - - - 3704
(i) Inter-regional application of
pick-up and delivery service on less
than carload traffic - - - - - 3706
(j) Prince Edward Island Car Ferry
Operation - - - - - 3710
(k) In connection with industry and
agriculture - - - - - 3714
 Fishing industry - - - - - 3714
 Apple industry - - - - - 3718
 Potato industry - - - - - 3719
 Coal Industry - - - - - 3725
 Livestock production - - - - - 3727
 Forest industry - - - - - 3728
 Manufacturing - - - - - 3729
 Statement of Enamel and Heating
 Products Limited - - - - - 3729
 Statement of Enterprise Foundry
 Co.Ltd. - - - - - 3732

PART TWO: The regulation of rates under the
Railway Act. - - - - - 3737

PART THREE: The capital structure of the
Canadian National Railways - - - - 3741

PART FOUR: In the matter of the present day
accounting methods and statistical
procedures - - - - - 3743

EXHIBIT No.49: Filed by Mr. Matheson. Letter to
the Board of Transport Com-
missioners and reply dated April
25, 1949 - - - - - 3745

PART FIVE: The Canadian National-Canadian
Pacific Act 1933 - - - - - 3749

PART SIX: Transportation legislation and other
features of the Railway Act under
changed conditions - - - - - 3758

Examination of Mr. Matheson by Mr. Covert - - 3773

	Index Page #36
	Page
NOON ADJOURNMENT - - - - -	3795
<u>CLARENCE J. MORROW - Called. Examined by Mr.</u>	
Smith - - - - -	3807
(Re Fish) - brief of Transportation Com-	
mission, Maritime Board of Trade.	
Cross examined by Mr. Sinclair - - - - -	3809
Cross examined by Mr. O'Donnell - - - - -	3815
Cross examined by Mr. Frawley - - - - -	3818
R. D. SUTTON - Called. Examined by Mr. Covert.	
(Re apples - brief of Transportation Commiss-	
ion, Maritime Board of Trade) - - - - -	3823
Cross examination by Mr. Sinclair - - - - -	3824
JOHN R. BIGELOW, Called. Examined by Mr. Covert.	
(re Lumber - brief of Transportation Com-	
mission, Maritime Board of Trade) - - - - -	3825
Cross examination by Mr. Sinclair - - - - -	3826
Cross examination by Mr. Frawley - - - - -	3827
RAND H. MATHESON - Recalled. Examined by Mr.	
Covert - - - - -	3836
ADJOURNMENT - - - - -	3920

(Conclusion of
Halifax Hearings)

THE ROYAL COMMISSION ON TRANSPORTATION

HALIFAX, NOVA SCOTIA,
THURSDAY, JULY 14th,
1949.

THE HONOURABLE W.F.A.TURGEON, K.C., LL.D. Chairman.

HAROLD ADAMS INNIS - - Commissioner

HENRY FORBES ANGUS - - Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

RAND H. MATHESON, recalled.

THE CHAIRMAN: Very well.

MR. COVERT: Mr. Chairman, we left off yesterday at page 96 of volume 1 of the submission; as a matter of fact, it was at the figure "76" on the third last line of the paragraph at the top of the page.

THE WITNESS: Mr. Chairman, I was to refer you to Appendix 75 and Appendix 76 in volume 2, Exhibit No. 47. In the first column of Appendix 75, sheet 1, there is shown the port differentials that obtained on export class rates to maritime ports over Montreal as of or prior to March 28, 1938. Attention is drawn to the differences for the three specified points that were taken as an illustration, that is, Windsor, London and Toronto. Over in the third column as on January 12, 1949, there is indicated the differences which have emerged since prior to March 28, 1938, which removed the small differential that had obtained for years over the port of Montreal.

On sheet 2 of Appendix 75 there is shown the percentages, and I won't refer to them specifically, but it shows the larger percentage increases as effected to maritime ports vis-a-vis St. Lawrence River ports, or, rather, specifically the port of Montreal.

The same for sheet 3 of Appendix 75, and sheet 4.

We now turn to Appendix 76, and we have a corresponding set-up with respect to import class rates, as on March 27, 1938, compared with January 12,

1949, and this again indicates both relatively and absolutely the increases that have been effectuated in the port differentials that previously obtained. I shall not go into further detail in connection with that; I just wanted to make specific references to those extensive tables that are contained therein.

Now reading from the brief:

Attention is called to the substantially higher percentage increases in both export and import class rates to and from Maritime ports vis-a-vis St. Lawrence River ports.

It is evident that the Canadian port rate structure is not entirely predicated upon the incidence of U.S. port differentials. Government policy and competition of other transport media have also had a considerable influence on the structure which has existed. As to Government policy, reference has already been made to some of the statutory provisions stipulating the encouragement of traffic through Canadian ports.

The port differential relationship with U.S. ports has, no doubt, been of benefit to Maritime ports. It would seem also that the very existence of the port rate structure undoubtedly depends upon the participation of all interested carriers. Yet, the singular characteristics of the conditions associated with the encouragement of export traffic through all Canadian ports indicate that cognizance must be taken also of the maintenance of relationships as between Canadian ports as well. As these conditions are peculiar to Canada and are more effective during the season of open

navigation on the St. Lawrence River, it is open to U.S. carriers to relate their port rates from and to Canadian points. Such action would not likely prejudice the application of general port differential relationships when the St. Lawrence River ports are closed.

It is therefore of paramount importance that Maritime port rates be adjusted at the earliest possible date so as to reflect, during the period April to November of each year, the relationships that existed with the port of Montreal prior to March 28, 1938 . Such action would comply with Government policy associated with the encouragement of traffic through all Canadian ocean ports; it would be compatible with conditions and circumstances peculiar to Canada; and, moreover, it would maintain the port differential structure when Maritime ports are actually competitive with U S. ports. In addition to the readjustment it is also important that there be appointed a foreign freight traffic officer for the suggested Inter-colonial system, with headquarters at Moncton, N.B. The duties of such an officer would include all those things necessary for the encouragement of traffic through Maritime ocean ports.

(f) Existing Rate Groupings in the Maritimes
on Long-Haul Traffic.

The Maritime Provinces are divided into seven groups on the Canadian National Railways in the application of eastbound class rates from stations west of Montreal. These groups may be briefly described as follows:

(154) See pages 82 and 83 of Brief.

Group No. 1 - Saint John group. This group extends from Boundary, N.B., and Millstream, P.Q., east to Painsec Junction.

Group No. 2 - Halifax group. This group extends from Meadow Brook, N.B., to Halifax, N.S., and eastward to New Glasgow, N.S.

Group No. 3 - Mulgrave group. Commencing at Academy, N.S., this group extends to Mulgrave, N.S.

Group No. 4 - Sydney group. The next breaking point commences at Point Tupper, N.S., and extends to Sydney, N.S.

Group No. 5 - Liverpool group. This group extends from Port Mouton, N.S., to Conqueral, N.S.

Group No. 6 - Shelburne group. Commencing at Sable River, N.S., this group extends to Port Clyde, N.S.

Group No. 7 - Yarmouth group. This group extends from Barrington, N.S., to Yarmouth, N.S.

Other points on the Canadian National Railways in the Maritimes are related to these seven groups. For example, Charlottetown and Summerside, P.E.I., are on the Halifax group basis, whereas Tignish and Elmira, P.E.I., are on the Mulgrave basis.

Class rates between the Maritimes and eastern United States do not reflect the same arrangements. For example, the class rates between the Maritimes and U.S. Central Freight Association territory were, before July 1st, 1946, constructed on a higher arbitrary basis over Montreal than from Toronto. As to New England Freight Association area and most of the so-called Trunk Line Territory, the rates are generally

constructed on twenty-mile blocks over U.S. border points.

It is of interest to observe also that before the period of freight increases, commodity rates between the Maritimes and destinations in the United States Pacific Coast territories were constructed on arbitraries over Montreal which corresponded to the Ontario arbitraries, Toronto and west thereof⁽¹⁵⁵⁾. These arbitraries, although lower than those from Central Freight Association territory, were higher than the arbitraries over Montreal prescribed by the Board of Transport Commissioners by General Order 366, dated June 30, 1922, between the Maritimes and western Canada.

The higher arbitraries over Montreal between the Maritimes and territories in the United States do not reflect the tapering of a through rate that a long haul justifies.

A modification in the Maritime class rate groupings to stations in Canada - Montreal and west thereof - constituted an important part of the case of the Maritime Provinces at the time of the General Freight Rate Investigation pursuant to Order in Council P.C. 886, dated June 5, 1925.. However, the Maritime case before the Board of Railway Commissioners was held in abeyance when it was evident that the recommendations of the Duncan Commission were likely to be enacted. Prior to the effective date of the Maritime Freight Rates Act the Canadian National

Railways submitted for the consideration of Boards of Trade and shipping interests in the Maritimes proposed bases of applying the Act. In a prepared statement the Canadian National Railways outlined their position in part as follows:

"Another feature of the question is that one of the submissions of the Maritime Provinces in the General Freight Rates investigations recently closed was that the present system of grouping the Provinces should be overhauled and modified, to the extent of making for the entire three Provinces one blanket rate group using Saint John as the base. While the Maritime case was held in abeyance on account of the passing of 'the Maritime Freight Rates Act' and before the railway had put in any reply, it had been rather generally admitted by the railway that there might be some room for adjustment or modification in the number of rate groups which now total seven.....We now approach this particular question with a feeling that the manner in which the reductions under 'The Maritime Freight Rates Act' are to be made lends itself very readily to a scheme of regrouping, for the reason that the 20% reduction is to be made on varying proportions

"of existing group rates." (156) (underlining inserted).

That statement was read by Mr. Weldon, former Traffic Manager of the Canadian National Railways, at a meeting in Moncton, New Brunswick, on June 21, 1927.

COMMISSIONER INNIS: Q. What was this meeting? Was it a conference or --

A. It was more or less of a conference, Dr.

Innis, called by the railways to discuss the proposed method of applying the Maritime Freight Rates Act. I have a mimeographed copy; perhaps the railways might have on their files an extra copy, but I think it is important that a copy of that should be made available to the Board. It is a mimeographed document of three pages, and it is dated at Montreal on June 21, 1927, and the writer of it apparently, according to the footnote, is S.J.A.; I believe that would be Mr. Alton, former Chief of the Tariff Bureau of the Canadian National Railways.

Q. Should that be put in the record?

A. I believe, Dr. Innis, for the information of the Commission, a copy of this should be put in the record. This my own historical copy from my historical files, but I would be pleased to have a copy of this made and submitted to the Commission as an Exhibit if

(156) Statement read by Mr. Weldon, former Traffic Manager of the Canadian National Railways, at a meeting in Moncton, N.B., on June 21, 1927.

that would be in order.

MR. COVERT: We could put that in as Exhibit 48. The title of it is "Memorandum of Points for Discussion Regarding Re-Grouping of the Maritime Provinces in Class Rate Adjustments to Montreal and Ontario points," dated June 21, 1927.

EXHIBIT 48: Memorandum of Points for Discussion Regarding Re-Grouping of the Maritime Provinces in Class Rate Adjustments to Montreal and Ontario Points, dated June 21, 1927.

THE WITNESS: There were a couple of other things I was going to read in connection with this, but that will obviate the necessity of doing so.

The railways adopted a basis of applying the Act whereby the number of Maritime groupings in respect of westbound class rates to stations in Canada, Montreal and west thereof, were reduced from seven to four - Saint John and Halifax groups were combined on the Halifax basis, as adjusted, to Montreal, and on the Saint John basis, as adjusted, to points west of Montreal; the Mulgrave and Sydney groups were combined on the Mulgrave basis, as adjusted; and the number of groups beyond Bridgewater reduced from three to two.

Since 1927 the question of further modifications in the Maritime groups has been raised on numerous occasions. The existing groupings on Prince Edward Island have been the cause of considerable dissatisfaction. Generally, Prince Edward Island is divided into two groups or zones in respect of rates from and to stations in Canada beyond the Maritimes including

(157)

Quebec, Montreal, P.Q., and west thereof, viz., - the so-called Inner Zone including Summerside and Charlottetown, and the Outer Zone embracing stations west of Summerside and east of Charlottetown. The Inner Zone is generally on the Halifax basis and the Outer Zone based on the higher Mulgrave group. Stations in the Outer Zone mileage-wise are less distant to and from points outside the Maritimes than Halifax. For example, the mileage from Tignish and Elmira, P.E.I., to Toronto, Ont., is approximately 1,125 compared with approximately 1,133 from Halifax, N.S. Another example is the present rate on potatoes from Tignish, P.E.I., to Harlem River, N.Y., of 94¢ per 100 lbs. carloads, for a distance of 939 miles, as compared with a rate of 90¢ per 100 lbs. from Halifax, for a distance of 947 miles. (158)

MR. O'DONNELL: It might be well, if my friend would excuse me at this point, to draw to the attention of the Commission that at the present time this question is before the Board of Transport Commissioners. On April 30 last Mr. Matheson wrote to the Board the following letter:

"Re: File No. 45235 - Rate Zones in
Prince Edward Island

"This Commission has the answer of the Canadian National Railways, dated April 14th, to the supplement to this Commission's application, dated March 1, 1949, on behalf of shippers and Associations in Prince Edward Island.

(157) See Appendices 68, 69, 70, 71 and 72.

(158) Appendix 74.

"It is now requested that the Board grant a postponement in connection with the Commission's reply and the setting of a date for a hearing as previously requested. This request is being made because of developments which require, almost in toto, concentration in preparation for the Royal Commission on Transportation which, press reports indicate, will commence their hearings within the next month or so.

"If it pleases the Board, a reply will be made as soon as possible after the termination of the Royal Commission hearings in the Maritimes.

"It is the intention to suggest in this reply a date and place for the Board's consideration."

That obviously is a matter which our friend realizes is within the jurisdiction of the Board and is sub judice at the present time, and I thought I might draw it to the attention of the Commission.

THE WITNESS: I am very pleased that Mr. O'Donnell mentioned this. I think yesterday, if you remember, I referred to matters of groupings which the Board has from time to time considered and made adjustments and changes in relation thereto. I believe, however, that there are aspects about this particular application which come into the realm of geographical and economic considerations, and also in relation to the Maritime Freight Rates Act.

Apropos of this, I am constrained now to read a reply from Mr. A. K. Dysart, counsel for the C.N.R., dated April 14, 1949, and this will stress the point why it has been included also in this brief.

Mr. Dysart's letter reads in part as follows:

"Insofar as rates on traffic originating on Prince Edward Island are concerned, it is our submission that the provisions of the Maritime Freight Rates Act govern any adjustments in such rates. Immediately prior to the effective date of that Act, i.e. July 1st, 1927, rates from origin points on P.E.I. were published on a two zone basis. Under the terms of the aforementioned statute, these rates were cancelled, effective July 1st, 1927, and rates 20% lower were substituted for the haul within select territory. Many of the rates referred to applied in both directions prior to July 1st, 1927, and the two zones still exist in relation thereto. It is obvious therefore, that rates from P.E.I. subject to the Maritime Freight Rates Act are definitely related to rates in the Eastbound direction and vice versa. It is our submission that the East-bound and Westbound rates in question were frozen after July 1st, 1927. The existence of a relationship between the Eastbound and Westbound rates prior to the Maritime Freight Rates Act and the subsequent statutory fixation of the Westbound rates necessitate maintenance of the Eastbound rates on the present level.

"The applications of the Transportation Commission of the Maritime Board of Trade are predicated upon the assumption that the zoning of P.E.I. is unjust and presupposes that the rates

"in the outer zones are unjustly discriminatory compared with other shipping points in the Maritime Provinces. It is our submission that under the provisions of the Maritime Freight Rates Act no increases can be made in the rates from the inner zone, and that any discrimination which may result from the maintenance of the two zone system can only be removed by reducing the rates in the outer zone. Under the principles laid down in many decisions of the Board and reiterated in *Halifax Fisheries Limited vs. C.N.R.*, 56 C.R.T.C. 78 and 134, the discrimination in such a case is attributable to the operation of the statute and not the voluntary act of the carrier, and therefore does not constitute unjust discrimination within the meaning of The Railway Act. Any action taken by the Board to compel a reduction in the higher rate, in our submission, is ultra vires of the Board, and in any event would itself be unreasonable and unjust.

"For the above, among other reasons, it is respectfully submitted that the applications of the Transportation Commission of the Maritime Board of Trade should be dismissed."

I am very glad, Mr. O'Donnell, that you brought that up, because there was some question in my mind, considering the fact that this application had been made, or had been renewed, so to speak, by this Commission, on behalf of persons and industries on Prince Edward Island, and the thought did occur to me that it was perhaps a

matter that would be more or less for the Board, but, in the light of those particular aspects that I just read, I believe that it is also one for the consideration of this Commission because of the principles involved.

MR. O'DONNELL: Q. Is it the intention to withdraw the application to the Board, then?

A. No, because, you see, Mr. Chairman --

MR. O'DONNELL: I do not want to take time, Mr. Chairman. All I was drawing to the attention of the Board was that these applicants had submitted to the jurisdiction of the Board of Transport Commissioners, where obviously the matter should be, and that in the circumstances it was duplicating the work, and that, the jurisdiction being with the Board of Transport Commissioners, it was something which should await their decision.

THE CHAIRMAN: Well, I take it it will be given to us here simply as an illustration of what is going on.

MR. O'DONNELL: I merely wished to record the fact that it was before the Board.

THE CHAIRMAN: Q. I understand there is a question of the interpretation of the Maritime Freight Rates Act?

A. That is right.

Q. And judgment on that will be delivered by the Board in due course?

A. That is right.

Q. We will have it then.

A. The hearing has been held in abeyance; I have to confer, of course, with the --

Q. Well, nothing done here is to interfere with what the Board does; in the first place, our Order in Council says so.

A. I quite understand that, sir, and the reason for this is to bring this to your attention as to the principles; and if we are hamstrung in connection with the interpretation as placed by Mr. Dysart, then that is a matter of principle in relation to the Act.

Q. Yes, of course. I think we had better just pass on.

A. Appendices 70 and 71 contain a history of the evolution of the present groups from Quebec and Montreal, P.Q., to specified points indicating a reduction in April, 1924, from three groups to two concurrent with the class rate revisions voluntarily effected at that time. In the period between 1917 and 1924 the railroad on Prince Edward Island had emerged from a narrow to a standard gauge.

(page 3700 follows)

In Appendix 72 there is a comparison of class rates from specified Ontario points to P.E.I. destinations with what is known as the Schedule "A" scale of rates for corresponding distances. This appendix was included because a similar comparison had been made by the Canadian National Railways to justify the reasonableness of the existing groups and rates. It is not considered that the comparison proves anything in view of the fact that it ignores the historical basic factors associated with the Maritime freight rate structure.

The compact characteristics of Prince Edward Island lend themselves to the existence of one zone on long haul traffic. There is not a substantial difference in the quantity of traffic originating in the two zones.⁽¹⁵⁹⁾ Moreover, there are approximately 41,000 persons located in the Inner Zone as compared with 55,000 in the Outer Zone. While in some instances the differences in rates on long haul traffic as between the Outer and Inner Zones are not material, there are times when the accumulated differences are of significance.

In a number of respects the Prince Edward Island rate groupings are different to United States destinations. For example, the Island is divided generally into two zones in the case of special commodity rates on potatoes and turnips to Eastern United States destinations. Where competitive commodity rates apply to the United States, Prince Edward Island is blanketed. There is only one zone. The class rate structure between Prince Edward Island and the Eastern United States, on the other hand, reflects

(159) Appendix 10.

the influence of the class rate revisions effected in March, 1938, with the result that more than two zones prevail.⁽¹⁶⁰⁾

The homogeneity of Prince Edward Island economically, the comparability of the nature and volume of traffic originating and destined to the Outer and Inner Zones, and the lower mileages compared with points taking lower rates, justify the equalization of the Outer Zone with the Inner Zone. It does not appear that the Maritimes Freight Rates Act as constituted would be a deterrent to such proposed equalization. Indeed, this equalization should have been included in the regroupings effected under the Maritime Freight Rates Act on July 1, 1927.

The creation of one zone on Prince Edward Island in respect of international rates also is desirable to obviate existing inconveniences, confusion and handicaps.

Modifications in the basic long haul rates between other points in the Maritimes and stations in Canada - Quebec, Montreal, P.Q., and west thereof - would appear to be justified mileage-wise to correspond with Halifax and other points in the Halifax group.

Apropos of this, Mr. Chairman, we have made some studies. I am not going to refer them to the Commission because I really feel they are a matter that I will take up with the railways directly. I find what I consider to be some anomalies in the existing groups going to western Canada from stations on the south shore, between Halifax and Yarmouth, Nova Scotia. In this connection

there is one more group to stations in western Canada than there is to stations in Ontario and Quebec, which does not reflect, of course, long haul tapering. There should not be any more than the same number of groups.

COMMISSIONER INNIS: Q. Would you say that trucks tended to blur the boundaries between the zones?

A Trucks?

Q Yes. .

A Not in this particular case, Dr. Innis. You are referring to the one I have here, the last one I mentioned?

Q I am thinking of this problem of higher rates to the Outer Zones?

A You are referring to Prince Edward Island?

Q Yes. Can trucks take advantage of this sharp difference between the two zones?

A For example, most of the traffic involved in this particular case is long haul traffic that we refer to. That is traffic going outside of the Maritime Provinces.

Q Would it be of advantage for a truck to move from the high rate area, particularly if it is near the boundary, into the inner rate area?

A If farmers are very close to the boundary they may truck their potatoes, for example, for loading into box cars or reefer cars in the inner zone rather than at the station on the outer zone.

Q That is not very important?

A I do not believe that is very important in this particular case. I might say at this point that full details and evidence will be given as to the impact of this from witnesses on Prince Edward Island.

(g) Routings Between the Maritimes and Other
Sections of Canada

The privilege of routing traffic from originating points on the Intercolonial system in the Maritimes to destinations in Canada via Saint John, N.B., and Sainte Rosalie, Que., was in existence for many years. The arrangement gave persons and industries located on the Government railways in the Maritimes a parity of rates as to certain tariffs via the following routings -

Government railways direct;

Government railways to Saint John, thence
Canadian Pacific; and

Government railways to Ste. Rosalie, and
thence Canadian Pacific.

Late in 1925 the Canadian National Railways cancelled the alternative routings as provided in certain tariffs. The action was protested and the Board restored the arrangement.

When the Canadian National Railways published rates subject to the Maritime Freight Rates Act it was found that the alternative routings via Saint John and Ste. Rosalie were not provided. The matter was subsequently referred to the Supreme Court of Canada, who found to the effect that the Railway Board has no jurisdiction under the Maritime Freight Rates Act "to order rate reductions on freight routed to the west from points on the C.N.R." (on which reductions are compulsory) "via Saint John and thence over the C.P.R. on which reductions are only optional, but may order reductions on such freight routed via Ste. Rosalie which is a junction point of the C.N.R. and C.P.R. west of the territory affected by the Act." (161)

Certainly, there was no intention that such a withdrawal of routing privileges should be effected in the recommendations of the Duncan Commission. In fact, at page 23 of the Report of the Duncan Commission, it was observed that the question of alternative routings was a matter for the Board.

This routing question concerning the Maritimes appears to be related to routings involving other territories and arrangements existing between the Canadian National Railways and Canadian Pacific Railway Company, which have their origin in agreements that were consummated before the Canadian National Railways became an integrated system. In other words, what the Canadian National Railways tend to gain by the elimination of the alternative routing via Saint John only helps to compensate for the loss of revenue from originating traffic which they are required to short-haul in favour of the C.P.R. in other territories.

While this whole matter of alternative routings appears to be one for an investigation directed to (a) a balanced arrangement in the interest of both the railway and shippers, and (b) the practicability of universal inter-change in Canada, it is, however, specifically recommended that such changes that are necessary in the Maritime Freight Rates Act be effected to restore the alternative routing privileges that previously existed via Saint John, N. B.

(h) Joint Through Rates Within the Maritimes

Combinations of rates over inter-change points rather than joint through rates are the rule rather than the exception on traffic originating and destined to

stations within the Maritimes. Rates predicated on combinations over inter-change points are generally higher than joint through rates. It follows, therefore, that when increases are applied to combinations of rates the increases are greater than single factor rates, and resultantly accentuate the rate disadvantages of persons and industries assessed combinations vis-a-vis shippers enjoying single factor rates. I should point out here that in the matter of mileage rates on traffic there was a memorandum prepared by the chief traffic officer of the Board of Transport Commissioners in 1923 and it is contained in volume XII J.O.R. & R. pages 372 and 373.

The provision of some proportional class and commodity rates on through traffic from and to inter-change points has tended to facilitate the flow of traffic between connecting lines in the Maritimes, and has lessened the impact of straight combinations. However, since joint through rates are convenient and are conducive to a greater encouragement of trade inter-regionally, it is recommended that there be an extension of joint through rates between stations in the Maritime Provinces. Incidentally, Mr. Chairman and members of the Commission, this is my own view in the light of this decision of the Supreme Court of Canada as contained in 30 C.R.C., p. 223, in regard to routings between the Maritimes and other sections of Canada.

MR. O'DONNELL: Q. Is that not 34 C.R.C.? You said 30.

A 34 C.R.C. In this connection it appears that the compulsory application of the Maritime Freight Rates Act to the Canadian National Railways, and the optional

application of the Act to other carriers estops the Board of Transport Commissioners from directing, under Section 336 of the Railway Act, the filing of joint through rates over railroads in the Maritimes subject to its jurisdiction. The Maritime Freight Rates Act, therefore, should be amended to make it abundantly clear that there is to be no restriction or limitation in the Board's power to prescribe joint through rates over railroads subject to its jurisdiction in the Maritimes.

I am following through the judgment of the Supreme Court in that respect when they said that the rates on the Canadian National Railways are compulsory and the rates on the other railroads in the Maritimes are optional. If they could not make it compulsory to have a joint rate via Saint John by the same token in my opinion they could not have the authority to order joint rates under section 336 of the Railway Act. However, that point was never raised before the courts as far as I know and counsel might have a different view about it. It was only my expression of view as a layman.

(i) Inter-Regional Application of Pick-up and Delivery Service on Less than Carload Traffic

Pick-up and delivery service on less than carload traffic was not established between stations on the Canadian National Railways in the Maritimes until April 1, 1940, although a short time previous the Dominion Atlantic Railway inaugurated such a service. The principal railways in the Maritimes were at first reluctant to provide a service, although it had been instituted on an experimental basis in southwestern Ontario on March 6, 1933, and subsequently revised and extended to include

the whole of the Central Quebec-Ontario territory. Pick-up and delivery service was also in existence in British Columbia and western Canada before it was established in the Maritimes. A characteristic of the new service was its regional limitation.

MR. FRAWLEY: Q. What do you mean by "regional"?

A It did not apply between regions whereas you had it applying between regions in the United States.

The demand for pick-up and delivery service within the Maritimes included also its application on L.C.L. traffic between the Maritimes and the Central Provinces. Its regional limitation has necessitated generally shippers absorbing the trucking charges on L.C.L. shipments originating in the Maritimes and destined to stations in Central Canada in order to equalize the transportation charges enjoyed by competitors. Conversely, on L.C.L. shipments to the Maritimes it has become a common practice to advance to consignees the trucking charges on L.C.L. shipments from factory or warehouse to freight sheds in the Central region. This practice has been the subject of complaint -- that is by individual complaints. It was not by the Maritime Transportation Commission because we were aware naturally of the Board's previous rulings in the matter. Some complaints were submitted directly to the Board. But the Board of Transport Commissioners has repeatedly ruled to the effect that cartage service is not a railway service or facility within the meaning of the Railway Act and as the Board has no jurisdiction over cartage companies it is without power to regulate the

(162)

charges made by them, even though it involves continuous movement by rail and truck.

Since railway pick-up and delivery service is competitive, its application is discretionary with the carriers unless it gives rise to unjust discrimination.

The railway pick-up and delivery service (either free or at rates slightly higher than normal rates) and the condition that gave rise to its establishment represent another illustration of the effects of competition nullifying the statutory advantages of the Maritime Freight Rates Act. The question has arisen whether or not there exists unjust discrimination in the present territorial scope of the service between points and at periods when competition is either negligible or non-existent in the Central Quebec-Ontario territory. A check of the trucking services and their schedules in the Central Provinces would indicate that under certain circumstances the arrangement might be unjustly discriminatory between some points.

In Appendices 53 to 61 there are included pick-up and delivery rates, trucking charges, and comparisons which show that --

- (1) Present P.U.D. rates in the Central Provinces are temporarily 15 per cent higher than the class rates exclusive of trucking charges.

THE CHAIRMAN: Q. What does P.U.D. mean?

A Pick-up and delivery. It is a general term that is used.

Q All right. I understand.

- A (2) The competitive position of persons and industries in the Central Provinces has

been improved ratewise vis-a-vis the Maritime Provinces. (Expedited schedules have also benefited shippers and consignees in Quebec and Ontario).

- (3) Pick-up and delivery service rates in the Central Provinces have been generally lower than L.C.L. rates plus trucking charges.
- (4) Pick-up and delivery groupings on some commodities (also produced in the Maritimes) are below the classification ratings on less-than-carload shipments from the Maritimes.

The appendices I refer to give full details in connection with all that.

The difficulties resulting from the regional application of the P.U.D. service would be resolved to some extent if the service were extended generally throughout the Eastern territory. The basic recommendation in connection with the Intercolonial system would enable greater leeway in effecting such adjustments as might be necessary to restore to persons and industries in the Maritimes the competitive relationships that had existed previously.

One difficulty, which I pointed out previously, about the Maritime Freight Rates Act is that in the event we did find there were instances of unjust discrimination in regard to the P.U.D. rate basis, the only thing we could do would be to have them cancelled under section 8 of the Maritime Freight Rates Act, and not get a corresponding reduction.

With regard to the next section of the brief,

Prince Edward Island Car Ferry Operation, it is my understanding that it will be fully developed by the Prince Edward Island government in their brief and possibly also by the associated boards of trade of Prince Edward Island, who are also making a submission. I will not make any comment on this but will read it right into the record.

(j) Prince Edward Island Car Ferry Operation

The advent of the motor vehicle has completely changed the situation in connection with the ferry service between Cape Tormentine, N.B., and Borden, P.E.I. Where it was primarily a railroad operation, today the volume of motor vehicles of all types carried on the car ferry has dictated a greater consideration of that form of transport.⁽¹⁶³⁾ Yet, it must be remembered that as a car ferry its function as the egress by rail of the products of the Island, and the ingress of the greater bulk of the Island's requirements it is of paramount importance that nothing be done which would interfere with coordinated schedules - I am speaking of rail schedules - to facilitate the flow of goods.

Considerable discontent has prevailed for some time over the charges assessed motor vehicles on the ferry, and while adjustments in that connection have been made from time to time⁽¹⁶⁴⁾ -- incidentally they have been considerably lowered as of July 1, to which I have already made reference -- they have been met with such manifested opposition from the railways that it has given rise to the consensus of opinion that the ferry should be operated

(163) Appendix 19.

(164) Effective July 1, 1949, charges for motor trucks and contents were equalized with the ferry service between Wood Islands, P.E.I., and Caribou, N.S.

by a department of the Dominion Government rather than by the railways for Government account. The transition which has taken place in transportation lends support to this view. A changeover to operation by a Government department could be facilitated by granting the railroad running rights on the ferry.

Another proposal that might be worthy of consideration is that, instead of a department of the government operating the ferry and facilities, there be created a Prince Edward Island Ferry Commission bestowed not only with wide administrative powers, but also with authority to resolve all problems that might arise in connection with the service.

MR. FRAWLEY: Headquarters in Moncton?

THE WITNESS: Edmonton, Alberta. With reference to the next section of the brief having to do with industry and agriculture, I quote various statements submitted to this Commission, and witnesses will be available for cross-examination, if there is to be any. Some of them will be here today, and if necessary, and it is agreeable, I can step down to make them available because some of them have to get away as they have other previous arrangements. Mr. Swartz was to be here but unfortunately certain developments preclude him from being present. It is unlikely that he will be here in the Maritimes, but he will be available at Ottawa when the Commission reconvenes there. Mr. Morrow will be available in connection with the fishing industry. In connection with the potato industry there will be witnesses available in both Fredericton and Charlottetown. With regard to the apple

industry Mr. Sutton will be available here in Halifax.

Incidentally there has been no reference made to the iron and steel industry because the Dominion Steel and Coal Corporation are submitting their own brief. As to the coal industry, I think perhaps there will be reference to that particular feature in the New Brunswick brief, in addition to what is contained herein.

THE CHAIRMAN: Q. What is the point, Mr. Matheson? Are you passing over these pages now?

A I think perhaps in so far as the fishing industry I will skip it. Mr. Morrow will be here, and if there are any questions that railway counsel or anyone associated with the Commission wish to ask he will answer them. This will be taken as read into the record. I think that will save time.

Q That brings us to page 109, the apple industry.

A That can also be taken as read into the record.

Q Then the potato industry?

A There will be evidence given in that respect in both Fredericton and Charlottetown along the lines contained herein.

Q That brings us to --

A That brings us up to the coal industry. I think, Mr. Chairman, I will read from there on.

MR. SINCLAIR: So that I may have it clearly, is it the suggestion now that if there are any questions to be put as to these industries it has to be done now or not at all? You said something about stepping down, or something like that. These men are here?

THE WITNESS: Some of the men are here. For

example, in connection with the fishing industry Mr. Morrow will be here this afternoon. In connection with the lumber industry Mr. Bigelow will be here this afternoon. In connection with the apple industry Mr. Sutton will be here this afternoon. In connection with the potato industry the witnesses will be available in Fredericton and Charlottetown. What I have put in here is more or less the information that was handed to me and incorporated in this brief. In respect to the coal industry I will continue to read, and if there are any other witnesses I have reference to I will refer to them.

MR. COVERT: Q. As I understand it you are simply saying that this will go into the record, and you will have someone more qualified to answer than you?

A Definitely.

(The following is the portion of the brief not read).

Page 3714 follows

(k) In Connection with Industry and Agriculture.

Fishing Industry.

The position of the fishing industry in the Maritime Provinces in relation to uniform percentage rate increases is set out in the following statement of the Fish Packers Association of the Maritime Provinces:

"(1) Prior to the war and because of the prevailing preference on the part of the Canadian and U. S. public for meat, which was then in plentiful supply, the retail prices obtainable for fish were considered unduly low and out of proportion to its food value as compared with meat and other protein foods, and this disparity in prices still prevails.

Representative prices and percentages of meat prices to prices of fish in 1938 were approximately as follows:

<u>Beef</u>	<u>Bacon</u>	<u>Pork</u>	<u>Fish</u>
21¢	28¢	22¢	10¢ per lb.
210%	280%	222%	100%

Notwithstanding the relative shortage of meat today and the better quality of fisheries products available due to improved methods of processing (quick-freezing, etc.), the comparative prices and percentages today are approximately as follows:

<u>Beef</u>	<u>Bacon</u>	<u>Pork</u>	<u>Fish</u>
75¢	92¢	63¢	35¢ per lb.
214%	263%	180%	100%

This shows conclusively that there is a point beyond which, apparently, the public will not go in increasing their preference for fish when meat -- pork, bacon, etc. - is again available in abundance

"as in pre-war days, the sale of fish will in all likelihood be adversely affected since notwithstanding changed conditions in supply and demand for meat today as compared with 1938, approximately the same ratio of meat to fish prices exists. It is important therefore, that the marketing of fish be not subject to the additional burden of increased transportation charges either specific or horizontal.

(2) The tendency is for uniform percentage rate increases to be reflected in lower prices to the primary producers since apparently increased quantities of fish cannot be absorbed by other markets (e.g., U.S.A.), as in the case of meat. When meat encounters buyer resistance in Canada, greater quantities are offered to U.S.A. with reasonable prospect of its being accepted. Such is not the case with fish.

When fish encounters buyer resistance in Canada the quantity taken by U. S. A. cannot be increased appreciably because the marked preference of the public for meat definitely fixes the quantity of fish that will be consumed. Consequently, any drop in retail sale price of fish must be reflected in the price paid to the primary producer.

It has been shown that even when meat is in relatively short supply in Canada and U. S. A. the ratio of prices of fish to meat do not decrease as apparently the public will not pay a proportionately higher price for fish than as shown in comparisons noted above, 1938, still a

"depression year and 1948, one of comparative prosperity.

(3) (a) The value of the 1946 N. S. catch, when taken from the water was \$20,259,604.

(b) The value when processed - \$34,270.762.

(4) Appendices 14 and 15 contain statistical data on the volume of smoked fish, transported by freight and express, showing the net weight, tare and gross weights (on which transportation is charged).

It will be noted these statistics refer to 1945 shipments as that is the latest year on which a complete report could be submitted by the Dominion Bureau of Statistics and since the statistics do not show distribution by types nor all the Canadian destinations, it was necessary to estimate them on averages supplied by a majority of the larger processors. It will also be noted that an average express or freight rate was applied to shipments in Ontario and Quebec, outside the principal cities of Toronto and Montreal, and an average rate applied to shipments west of Ontario.

It was not possible to get freight and express figures for the year 1946 but the catch was approximately the same as in 1945 and there were no significant changes in movement of the fish in those years. 1948 will be more in line with 1945-46 than 1947 which was not a representative year due to the deep-sea fishermen's strike which lasted about three months in the early part of the year and the consequent low catch which was also accentuated by poor fishing throughout the season.

"(5) Competitive sources of supply are developing. The all-water route via St. Lawrence and Great Lakes as far west as Chicago is available until the freeze-up, and it is used extensively by Newfoundland. Serious consideration is being given to the same means of transportation by Nova Scotia processors to meet competition. It is estimated that Nova Scotia fish shipped by water can be laid down in Chicago at a freight rate of 1¢ per lb.

(6) Transportation by regular truck service has also been inaugurated between Halifax and Montreal and is proving satisfactory. An extension of the service is contemplated and will definitely be developed on a large scale if increases in express and freight rates are effected.

(7) Increasing competition is being experienced in U. S. markets from Iceland frozen fish, and Iceland is increasing her productive capacity. The competition from Norwegian frozen fish in U.S.A. markets is also on the up-swing. It may, therefore, be necessary for the Maritimes to sell increasingly more fish in Canada if the present production capacity of our fishermen is not to be curtailed with corresponding decrease in the income of the primary producer, as well as all others concerned. This increasing competition, coupled with the upward trend in transportation rates to competitive markets, is creating considerable concern as to their combined effects upon a large

"segment of the population of Nova Scotia which is dependent upon the fishing industry for a livelihood." (163)

Apple Industry.

The Nova Scotia apple industry has taken a definite stand against uniform percentage increases in freight rates. In this connection, Mr. R. J. Leslie, on behalf of the Nova Scotia Fruit Growers' Association, has emphasized that:

1. The substantial curtailment in apple purchases by the United Kingdom has revolutionized the industry. No longer can the historical U. K. market be considered dependable as the principal outlet.
 2. Nova Scotia must seek a market for the equivalent of one million barrels of apples if the industry is to maintain its productive capacity, and unless an outlet for that quantity is developed the Nova Scotia apple industry must undergo a substantial curtailment.
(164)
 3. Increased rail rates will have the effect of making the transition in the industry difficult, particularly in developing an outlet to the markets of Central Canada.
(165)
- Illustrative trucking costs for the marketing of apples in that area have been for example, from Abbotsford, P.Q. to Montreal, P.Q. approximately 24¢ per barrel, and from Simcoe, Ont., to Toronto, Ont., approximately 21¢ per barrel.

(163) Brief of Fish Packers Association of the Maritime Provinces dated December 21st, 1948.

(164) See Appendix 78 for existing and proposed freight rates.

(165) See appendix 12 for seasonal receipts of cars of N.S. apples since 1937-38 season in the Ontario-Quebec markets.

"4. Substantial federal assistance has been necessary to enable the industry to exist during the war and, more recently, to implement transitional plans.

Potato Industry.

Increases in freight rates and proposals of still higher rates have created considerable concern in the potato industry of the Maritime provinces. This is understandable when it is considered that potatoes are the most important field crop of both New Brunswick and Prince Edward Island, and the principal markets of Canada and the United States involve long hauls compared with nearer sources of supply.

The Maritime Provinces produce approximately 38 per cent of the total Canadian production of about 80 million bushels, and ship by rail more than 80 per cent (166) of the total volume moved by this means in Canada.

A considerable quantity of seed and table stock is (167) also exported to countries other than the United States.

During the season 1947-48 to March 31st, 1948, New Brunswick shipped 7,800 carloads of potatoes to the Quebec-Ontario market, and Prince Edward Island in the same period (168) 4,109.

The development in the production of seed potatoes in the Maritimes has been most marked. In 1948, of the total acreage of seed potatoes entered for inspection in Canada (169) 86% was located in the Maritimes.a singular tribute to the efforts of the industry to produce a quality product so as to offset the disadvantages of distance from the principal markets. It is of interest to observe that out of

(166) See Annual Potato Crop Summary 1947-48 issued by the Dominion Department of Agriculture.

(167) Ibid.

(168) See Appendices 5 and 6.

(169) Appendix 9.

a total sales of 6,190,490 bushels of Maritime seed potatoes in 1947 there were exported to the United States and a number of other countries 4,025,116 bushels. (170)

The price at which Maritime farmers generally sell their potatoes is the price at the consuming markets less transportation charges. Once the forces of demand and supply establish the market price the ability of Maritime producer to sell is generally determined by the freight rates he is required to pay, although in some instances the Maritime producer may mitigate his losses by disposing of what he can at depressed prices. When there is a good crop in the Maritimes, and a relatively poor crop in Quebec and Ontario, for example, the Maritime farmer may be able to recoup relatively a proportion of his transportation cost. However, as transportation costs are increased percentage-wise the spread is widened to the more distant markets, thus rendering it more difficult for the potato producer in the Maritimes to compete.

There is contained in Table 16, subjoined, a breakdown of average costs of producing a 75 lb. bag of potatoes on Prince Edward Island in the year 1948 (incidentally, the average cost compares with the average in the Saint John Valley).

TABLE 16.

ESTIMATED COST OF GROWING AN ACRE OF
POTATOES ON PRINCE EDWARD ISLAND IN 1948.

		Arithmetic Mean \bar{x}
<u>Materials</u>		
Bags for shipping	\$36.54	
Bags, barrels or baskets, for picking	2.87	
Fertilizer	49.23	
Potatoes	30.10	
Spray	<u>10.66</u>	\$129.40
<u>Labour:</u>		
Cultivation	4.85	
Cutting Seed	3.42	
Digging	8.40	
Grading and Inspection	14.83	
Harrowing	2.33	
Picking	16.90	
Planting	3.83	
Ploughing	2.40	
Spraying	<u>8.27</u>	65.23
<u>Operation:</u>		
<u>Trucking:</u>		
Crop	8.78	
Fertilizer	1.45	12.34
Seed	<u>2.11</u>	
<u>Financial:</u>		
<u>Interest and Depreciation-</u>		
6% on investment	6.94	
Interest on borrowed money - 6%	5.59	
Interest on fertilizer notes - 6%	2.17	
Rent, land	<u>3.70</u>	18.40
<u>Miscellaneous:</u>		
Disinfecting and dip; storage, running repairs and other contingent costs		<u>8.58</u>
		<u>\$233.95</u>

Yield per acre - - - - - 220 $\frac{1}{4}$ bu.

Cost per 75 lb. bag - - - - - \$1.32

\bar{x} The arithmetic mean of the various cost factors has been computed from the submissions of ten authoritative and highly qualified potato growers of Prince Edward Island.

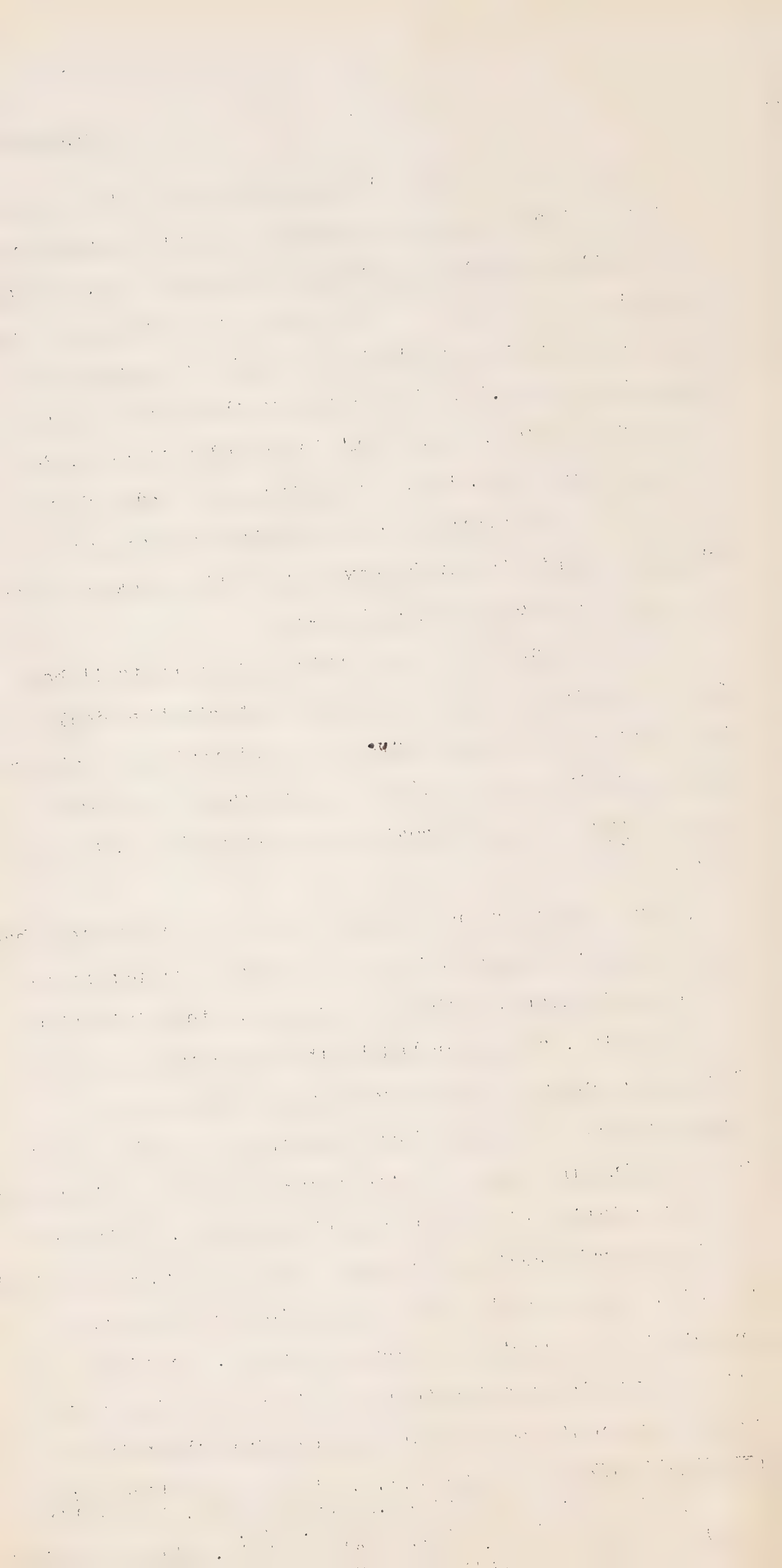
It is to be noted that on the basis of the records of ten reliable and highly qualified potato growers on Prince Edward Island the average cost per 75 lb. bag was determined at \$1.32⁽¹⁷¹⁾. If the cost of the bag is deducted, the cost of producing 75 pounds of potatoes is approximately \$1.12. The return to the farmer at the farm on March 19, 1949, is set out in Appendix 11 at \$.834 to \$.884 per 75 lb. bag. In Appendices 7 and 8 there are set out the average prices obtained by farmers at shipping points in New Brunswick and Prince Edward Island for each crop season since 1937-38.

On the basis of normal price determinants it has been estimated by one of the most authoritative dealers and producers on Prince Edward Island that each uniform percentage increase of 1% in freight rates costs the potato grower in that province approximately \$9.40 per acre⁽¹⁷²⁾.

The increases in international rates on potatoes have resulted in a greater utilization of water transport to U. S. destinations, although fortunately the limitations on vegetables, as prescribed by the Interstate Commerce Commission and approved by the Board of Transport Commissioners on international rates, has had the effect of lessening the impact of the increases and the disruption of rate relationships with competitive areas. Shipments to the Central Provinces, however, have been almost entirely by rail. Most of the local production in Quebec and Ontario is transported to market by truck. Inquiries have elicited the information that prevailing trucking costs range between 10 and 25 cents per bag from the principal

(171) The floor price for P.E.I. potatoes effective April 1st, 1949, is set at \$1.15 per 100 lbs. in the bin at the farm, or 86¢ per 75 lb. bag.

(172) Statement of Mr. Austin Scales, Feb. 15, 1949 to the Dept. of Industry & Natural Resources, province of P.E.I.



potato producing regions to the principal Ontario markets.
(173)

A study of production and distribution costs of Maritime potatoes, coupled with market phenomena, leads to the conclusion that freight rates are generally absorbed by the growers. It follows that increased freight rates aggravate the competitive position of the Maritime producer and tend to restrict his marketing area. Even a superficial analysis of the industry will suffice to indicate that it is highly competitive and marginal, and that under the buoyant economic conditions that exist today the maintenance of a liquid position has at times been fraught with difficulties. Increases in rates, when necessary and justifiable, must therefore be kept at the very minimum if the Maritime potato industry is not to be prejudiced.

(Page 3725 follows)

(173) Based on dealer inquiry.

THE WITNESS:

Coal Industry

In all general revenue cases in Canada, increases authorized or prescribed by the Board of Transport Commissioners have been subject to exceptions limiting the amount of the increases on coal and coke. The location of the coal resources of Canada at the extremities of the country, the application of subventions to facilitate the traffic movement, and the necessity of coal to the economy of the country dictate that the policy of limiting rate increases on coal must be continued in the public interest.

The number of joint through rates on coal between stations on connecting carriers in the Maritimes is limited. Most of the interline movement of coal is based on rate combinations over inter-change points. It is in the interest of the industry and consumers that joint through rates on coal be established from coal originating points to destinations on the lines of the principal carriers (174) subject to the Board's jurisdiction.

THE CHAIRMAN: Q. That is not given, is it?

A. That is in the footnote, Mr. Chairman.

Q. I see, yes.

A. That was done in the Western Rates Case, 31-32 C.R.C., 1914.

The locational pattern of the various mines in the Minto, N.B., coal area on the railways serving the territory gives rise to differences in transportation costs and grievances of long standing. Rate differences

(174) The Board of Railway Commissioners prescribed joint through rates on coal in Western Canada which were 20 cents per ton over the single line factors. Western Rate Case, 17 C.R.C. 123.

between some of the mines range as high as 36 cents per net ton depending upon the destination of the traffic. It is obvious that the existence of such differences in transportation charges from mines in a district producing coal of practically the same kind is undesirable, and undoubtedly has a depressing effect on the price of the coal in the whole district.

The long spur of the C. N. R. which taps the northern part of the Minto Coal field from Hardwood Ridge has been of advantage to the Miramichi Lumber Company to the extent that their costs are lower than those of the operators compelled to use the C.P.R. on "for furtherance" traffic to C. N. R. destinations via Chipman. This was traffic going, let us say, to Chipman, N.B., to be moved by the Canadian National Railways. This spur was built in 1924 pursuant to an agreement between the Minto Coal Company and the Canadian National Railways,

wherein it was provided to the effect that the railway would construct a spur from its main line at Hardwood Ridge to the premises of the then Minto Coal Company, maintain the spur in good running condition and supply the Company with a van and locomotive engine in good running condition and repair. The Coal Company, on the other hand, agreed to connect its tracks with the spur, pay for the operation of the locomotive, supply the necessary crew, handle all cars of coal and empties, including those of other operators who wish to use the connection at terms determined between the Minto Coal Company (predecessors to the Miramichi Lumber Company) and the other operators, supply the C. N. R. with coal under such terms as

stipulated in the agreement, etc. This agreement was approved by Order in Council P. C. 1444, dated August 23, 1924. The effects of this spur agreement are:

- (a) North Minto mining district relatively equalized with Chipman area on coal "for furtherance" to Canadian National points.
- (b) The competitive relationship of the South Minto and Newcastle Bridge operators destroyed on shipments destined to C. N. R. points.

The South Minto operators have always considered that they have a just grievance because the spur from Hardwood Ridge has not been extended to serve their mines.

The statutory spur agreement, coupled with the fact that the Transport Board has no jurisdiction over the location of lines of Canadian Government railways, has made it impossible to rectify the situation on complaint to the Board of Transport Commissioners. It is therefore recommended that the railways be approached to work out arrangements either to complete the C.N.R. branch line from Hardwood Ridge to Minto, or to provide running rights to the C.N.R. between Chipman and Minto, or to implement any other measure which will satisfactorily equalize the present differences subject to whatever assistance might be necessary to that end.

Livestock Production

The Feed Grain Freight Assistance Policy, whereby the Dominion Government has paid almost all the rail freight on feed grains from Port Arthur and Fort William to destinations in eastern Canada, has been of tremendous benefit to the Maritime Provinces. The existing basis of assistance is \$5.50 per ton of 2,000 lbs. to points

within the Montreal rate zone, plus the remainder of the carload rate beyond the Montreal zone -- the assistance to Saint John, N. B. presently amounts to \$9.50 per net ton, and to Halifax, N. S. and Charlottetown, P.E.I.,
(175)
\$10.30.

An assistance arrangement, with the object of the increased production of livestock and poultry to meet wartime demands, was first implemented in October, 1941, pursuant to strong representations from interested Provincial Governments for some freight assistance plan to facilitate the movement of feed grains to encourage livestock and poultry production. Incidentally, this feed grain assistance policy also applies to all of Eastern Canada, not just to the Maritimes. It includes Newfoundland, Ontario, Quebec and British Columbia.

The continuance of the Feed Grain Freight Assistance Policy has been strongly advocated by Provincial Agricultural Departments in the Maritimes in order to progress their agricultural programs.

Forest Industry

While the Maritime forest industry is basically dependent upon export markets it is incumbent that the rates on lumber and other forest products be kept as low as possible to enable access to the highly competitive markets of the Central Provinces.

(175) O/C P.C. 1515, April 8, 1948. (Assistance plan on feed grains also includes shipments from western Canada to B.C. points). See Appendices 13, for payments under Feed Grain Assistance Plan on shipments to the Maritimes since its inception in October, 1941. Also note Appendix 62 setting out rates on grain and grain products.

This reference, in connection with lumber, is more or less in line with the proposal that -- when it comes to horizontal percentage freight rate increases -- basic commodities should be held down to a limitation.

MR. SINCLAIR: Q. Are you going to answer questions on the lumber industry, Mr. Matheson?

A. Mr. John Bigelow, secretary of the Maritime Lumber Bureau, will be in attendance for that purpose.

Manufacturing

While uniform percentage increases are generally more burdensome and restrictive on basic and primary commodities dependent on long transportation hauls, they also have worsened the competitive position of those Maritime industries which require the markets of all Canada instead of the limited markets of the Maritimes themselves. Rate-wise the position of most manufacturing plants in the Maritimes has been aggravated vis-a-vis their competitors located nearer materials of production and the larger markets. The impact on some has been greater than others. Then again, when economic conditions are buoyant and there exist seller's markets the impact of rate increases, in some instances, is not so evident. The effects of the increases on two important plants in the Maritimes are revealed in the statements of the Enamel and Heating Products Limited, of Sackville, N. B., and Amherst, N. S., and the Enterprise Foundry Co. Ltd., also of Sackville, N. B., viz.:

ENAMEL & HEATING PRODUCTS LIMITED

"For many years past the larger Maritime Industries who have had to depend on Central and Western Canada markets for their existence have found it difficult to compete with the Central Canadian

Industries due to the fact that practically all of the raw materials have to be brought into the Maritimes from Central Canada thereby increasing the cost of comparable competitive products sold in these Central and Western Markets.

Up until a few years ago, this additional operating cost was offset by the fact that in the Maritime Provinces our labour rates were somewhat below those of our Central Canadian Competitors but during the War, we have lost the favourable labour differential and at the present time the labour rates in our own Maritime industry are just as high as they are in Central Canada and with the horizontal increase of 21% which went into effect last spring, it makes our competitive position very much worse and now with a further proposed horizontal increase of 20% it will make it almost impossible to compete in the Central and Western Canadian markets when supply has caught up to demand.

Up until the present time, we have been exporting a large volume of our products to South Africa and on such business we, of course, would not be at a disadvantage with our Central Canadian competitors, but on November 5, 1948, the South African Government put into effect very rigid import controls with the result that as soon as we have squared up our present work in process for that country, we will not be able to export any of our products to South Africa for at least a year, by which time it is possible that South Africa will be manufacturing their own requirements of stoves and our market there will be completely lost.

It will therefore be necessary for us to endeavour to sell in Central and Western Canada that portion of our production which we have been selling in South Africa and this may be impossible to do in view of the additional burden of such greatly horizontal increased freight rates.

To illustrate our unfavourable competitive position, Appendix 77 shows total freight paid of \$71,122.92 in the year ended December 31, 1947, on raw materials brought into our Sackville, N.B. Stove and Furnace Plant and comparing the same amount of materials brought in by a competitor in Carleton Place, Ontario, it shows that they would have paid \$42,900.68 representing an unfavourable difference between the two of \$28,222.24.

Now at the present time with the 21% increase in the freight rates, it will increase that unfavourable difference to \$34,148.91 and should a further 20% increase go into effect, it will make a further unfavourable difference of \$6,829.78 and a total of \$40,978.69.

Appendix 77 also contains a similar comparison for our Amherst, N.S. Cast Iron Sanitary Enamelware Plant compared to a competitor situated in Toronto, and as you will notice from this statement the total unfavourable amount which we have to pay prior to the 21% increase amounted to \$22,766.73 and with the 21% increase, it increases this difference to \$27,547.74 and a further 20% increase would mean a total difference of \$33,057.29.

In the same appendix there is indicated the

total increased cost to our Company due to the freight increases and as you will notice our total freight paid in the year 1947 was \$187,834.60 and based on the same volume of business the freight increases to date will mean an additional burden of \$45,293.53 to this Company and a further increase of 20% would result in a further burden of \$39,900.13 making a total increased burden of \$85,193.66 over the year 1947 prior to these increases.

It may be considered that as these freight rates become effective that the additional cost to our Company is passed on to the consumer by the increasing of the selling prices of our products but we feel at the present time that our prices have reached the maximum and that if we were to increase them any further, it would undoubtedly result in sales resistance and a gradual recession of business.

It may be true that the railways needed to increase their freight rates to offset their own rising costs of operation but we feel that the application of the increase which has been made should not have been applied on a horizontal basis and we hope that these conditions may be rectified."
(Dated December 18, 1948)

ENTERPRISE FOUNDRY CO., LTD.

"This whole situation is extremely alarming to the Stove Industry. It is not something which is just superficial but it has got to the point where the situation is so desperate that it comes down to the very existence of Industries in the Maritime Provinces.

The time has passed when increased costs can be added on to the selling price. Sales resistance today is very much greater than it was a year ago, and every month the situation is changing with a strong buyers' market developing. The only answer to this is reduced costs. This situation has been very strongly borne out recently by the increase in orders cancelled, very particularly from the Central Canadian Provinces, but it is not confined by any means to that district.

The disposition of our products is approximately 40% in the Maritime Provinces and 60% outside, and in this outside market, we are invading the home ground of the majority of our competitors, who have not only the benefit of much lower freight rates, but quick delivery, which is a very important factor, particularly as business falls off and competition gets keener. In addition, our competitors ship in their local market, in which we have to compete, a large quantity of their goods by truck, and in this way obtain an additional preference with their customers, as it gives quicker delivery, safer delivery and more direct delivery, and in many cases at a lower cost. Most dealers prefer truck delivery.

This condition which applies to Central Canada in the preceding paragraph, has a growing trend in Manitoba and British Columbia, where competitive industries are developing and competition from these sources at the present time is keen, and it is in the majority of cases impossible for us to

meet the prices of the locally produced products.

Another and extremely important factor, is the greatly increased cost of our raw material due to freight. For instance, our pig iron alone, which comes from Sault Ste. Marie, costs us \$6.00 per ton more than our competitors at a central point in Ontario, and this based on an annual consumption of 2500 tons, is an added burden of \$15,000.00 per year. This same condition applies to the heavy tonnage of steel sheets from Hamilton, Ontario, and in fact to the majority of our supplies, which come from Montreal and Ontario, as well as Central United States.

In our opinion, serious consideration should be given to the economical, geographical and national situation. Canada must be knit together as a unit, in order to be strong and each district must in itself be prosperous to have a completely prosperous Canada. In the Maritime Provinces, Industry is badly needed in order to balance and stabilize our economy and to provide that so essential regular weekly pay envelope. This situation is so apparent that it does not need further developing.

Already the increased freight rates of 21% have placed a great burden on our Industry and the situation is such that it causes us very grave concern, as the total increase in our freight bill is a very substantial sum, and there are no compensating advantages that we have in the Maritimes over our competitors in Central Canada, indeed many disadvantages. There seems to be a feeling that the additional handicap the Maritimes are struggling

under in connection with a much larger freight bill they have to foot as compared with the competitors in Upper Canada, is offset by lower operating costs such as labour, etcetera. This idea is completely wrong.

We feel that this horizontal increase which has been made should be eliminated and the additional revenue for the Railways provided by an increase in short hauls and where there is an increase made in long hauls, that it be on the basis of cents per hundred pounds, so as to maintain at least the same differentials which have been in existence for many years on both eastbound and westbound traffic. These differentials were established as a result of an investigation and checking by the Board of Railway Commissioners and others, particularly after the first war, when a somewhat similar condition arose. When the differential was reduced to the figure which was in effect prior to the 21% increase in 1948, a definite relief was felt by our Industry. From that date (that is when the differential which had been built up during the first war was reduced to the figure which has been in effect for a great number of years) we were able to go into Western Canada and develop our business. Definitely the date of the start of the development, in a large way, of our business in Western Canada, is tied in with the reduction of the differential.

If this is going to be increased again, it is going to put us in a very serious position, as our costs will be so greatly increased that we will not

be able to compete with other foundries in Central Canada, who have such a tremendous advantage over us in the very much lower freight bills, both on raw materials coming into their plants and on the finished goods being shipped out."

(Dated December 13, 1948).

The two witnesses for these statements will be available for the hearings at Charlottetown. It was impossible for them to make the Halifax sittings.

P A R T T W O

THE REGULATION OF RATES UNDER THE RAILWAY ACT

"Review the Railway Act with respect to such matters as guidance to the Board in general freight rate revisions, competitive rates, international rates, etc., and recommend such amendments therein as may appear to them to be advisable."

(Section 2(b) Order in Council P. C. 6033, dated December 29, 1948.)

In Part One reference has been made, among other things, to principles which the Board of Transport Commissioners has applied under the Railway Act in respect of competitive rates, rate proposals to equalize economic and geographical conditions, international and export
(176)
and import rates. Since the Railway Act must be read in conjunction with the Maritime Freight Rates Act in connection with part of the Maritime freight rate structure, the sufficiency or insufficiency of the Railway Act under changed conditions is approached principally in relation to those matters that might be consistent with the Maritime Freight Rates Act, either in its present or in an amended form. In this connection it is to be remembered that Section 7 of the Maritime Freight Rates Act provides that "the rates specified in the tariffs of tolls, in this Act provided for, in respect of preferred movements, shall be deemed to be statutory rates, not based on any principle of fair return to the railway for services rendered in the carriage of traffic. . . ."

(176) Pages 63-74; 75-81; 88-94; 94-97 of Brief.

It is abundantly clear from Part One that Confederation created the Intercolonial Railway, and one of its basic objects was to enable persons and industries in the Maritimes to obtain access to the larger markets of the whole of Canada instead of the restricted markets of the Maritimes themselves, and that it is essential to the Maritime economy that there exist such a rate structure that restrictions on the movement of traffic may be avoided.

As to matters that are not inconsistent with the Maritime Freight Rates Act it appears that perhaps a part of the difficulties in connection with the sweeping powers of the Board under the Railway Act is that it is circumscribed by principles which it has established and repeatedly enunciated. Obviously, a departure from such principles, if found desirable, would be more easily facilitated by clearly expressed terms in the Act.

It is therefore recommended for consideration that:

- (a) Since the Board should not be restricted in prescribing rates which it finds are essential in the public interest, amendments should be made in the Railway Act specifically directing the Board in matters pertaining to any rate adjustment to give due consideration to:
 - 1. the conditions which at any time prevail in industry, to the end that commodities may move freely;

I am quoting here from Section 15(a) of the Interstate Commerce Commission Act.

2. "the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed";
3. the rate relationships under which industries have been established and developed;
4. the incidence of increases in worsening regions economically.

(b) As to competitive rates the Board should exercise only such broad supervisory powers that are necessary to ascertain that the rates are no lower than necessary to meet competition, and that they are not unjustly discriminatory or cause undue preference or prejudice. It would appear necessary also that when the railways establish rates to meet water competition they should not be permitted to increase such rates unless it is established that such proposed increases are justified on conditions other than the elimination of water competition.

I would direct your attention to the fact that that is contained directly in Section 4 of the Interstate Commerce Act. This is a paraphrasing of it.

(c) Such arrangements be effected as will create an effective medium for handling international freight rate problems, or facilitate a greater liaison in such matters between the Board of Transport Commissioners and the Interstate Commerce Commission.

- (d) In the event of any declaration of national policy on transportation in Canada the provisos pertaining to the encouragement of Canadian traffic via Canadian ports as contained in (178) various statutes be incorporated in any such declaration.

Canada's economic structure and transportation situation dictate that it would not be practical to enact in this country any rigid formula or rule of rate-making for the determination of rates in general revenue cases. The powers of the Board of Transport Commissioners should be sufficiently broad and flexible to enable it to determine and prescribe just and reasonable rates, keeping in mind all factors pertinent to the development of Canada as a whole, including the effects of rate adjustments on the movement of traffic, the lowest cost consistent with the furnishing of an efficient transportation service, obligations inherent in the construction of the Intercolonial Railway, the difficulties incidental to manipulating a rate level to attempt to assure carriers prosperity when economic conditions, regional or national, and the existence of alternative transportation agencies make an equitable imposition of high rates impossible, and the importance of maintaining low rates in the "strip economy" of Canada on long distance traffic, particularly in the case of basic and primary commodities including foodstuffs.

(178) See Reference 19, page 15 of Brief.

P A R T T H R E E

THE CAPITAL STRUCTURE OF THE CANADIAN NATIONAL RAILWAYS

"Review the capital structure of the Canadian National Railway Company and report on the advisability, (or otherwise), of establishing and maintaining the fixed charges of that Company on a basis comparable to other major railways in North America."

(Section 2(c) Order in Council P. C. 6033, dated December 29, 1948.)

The proposals to reduce the fixed charges of the Canadian National Railways prompts the question - What is the principal objective in such an adjustment? The answer given by Mr. R. C. Vaughan, President of the Canadian National Railways, in a prepared statement before the House of Commons Standing Committee on Railways and Canals on May 14th, 1946, was in part as follows:

"We do not know to what level traffic volume will decline from its wartime level but we are concerned at the prospect of a substantial decline and at the same time to be confronted with these large additional operating charges. We also foresee increased bus and truck competition, and deepening of the St. Lawrence waterway, and increased air transportation. I am trying to put the Canadian National Railways on a sound basis, we want to show a satisfactory financial statement and we do not want to feel that we are a burden on the Government. We do not want the 'railway problem' to reappear. The Canadian National Railways is

operating efficiently but it may very easily be made to appear a failure because it cannot achieve the impossible. In that event the effect on the railway organization itself will be one of discouragement. Moreover the comparison between state ownership and private enterprise is involved. State ownership should not be so handicapped as to preclude the possibility of a proper comparison with railways under private ownership." (179)

If reasonable reductions in the fixed charges assessed against the Canadian National System would be conducive to greater incentive and encouragement in the enterprise, it would appear advisable that the necessary revisions should be effected to that end. However, it would not be acceptable to establish the Canadian National Railways as a yardstick for general freight rate revisions by a mere reduction in the fixed charges assessed against the railway operation. Before the National system should be adopted for that purpose a complete study of its capital structure would be required, with proper and reasonable allowances for railroads constructed or absorbed because of broad national policies, and the capitalization and losses of railroads acquired by the National system because of their financial stringency.

(179) Minutes of Proceedings, Sessional Committee on Railways and Shipping, Volume 1, page 22 (May 14, 1946.)

P A R T F O U R

IN THE MATTER OF THE PRESENT DAY ACCOUNTING METHODS
AND STATISTICAL PROCEDURES

"Review the present-day accounting methods and statistical procedure of railways in Canada, and report upon the advisability of adopting, (or otherwise), measures conducive to uniformity in such matters, and upon other related problems such as depreciation accounting, the segregation of assets, revenues and other income, etc., as between railway and non-railway items."

(Section 2(d) Order in Council P. C. 6033, dated December 29, 1948.)

Pursuant to Section 384 of the Railway Act, together with Sections 2(b), 25, 26, 27 and 35 of the Statistics Act as amended June 30th, 1948, and by regulations dated December 24, 1948, conforming to Sections 7 and 32 of the Statistics Act, there are required statistical returns relevant to operations, assets and liabilities, capitalization, etc., from any person engaged in the business of transporting persons, goods, wares, or merchandise by land, water, or air, including express companies to the extent provided in the respective Acts. While Section 384 of the Railway Act does not refer to the form of the returns the Statistics Act expressly stipulates that the annual and monthly returns must be in such form "as may be prescribed." There has been developed since the aforesaid Acts have been in effect a tremendous volume of statistical data respecting transportation companies and their operations. The marshalling of data has been facilitated through close

cooperation and coordination between interested government agencies and the carriers, particularly as to reporting forms.

The Board of Transport Commissioners is of the opinion that "under Section 384 of the Railway Act it does not have the power to prescribe the forms of any and all accounts, records and memoranda, or the classes of property for which depreciation charges may properly be included under operating expenses and the rate or rates to be charged thereon."⁽¹⁸⁰⁾

MR. FRAWLEY: Q. Apparently that is just part of your letter?

A. That is right.

Q. I suggest that the complete letter be filed. It might turn out to be of some value to us.

THE CHAIRMAN: Q. Is that the letter you read a while ago?

A. No. This is a letter I received from the Board of Transport Commissioners, with respect to their interpretation.

Q. There is no reason why we should not have it.

A. Very well, sir. I shall have copies of it typed.

MR. COVERT: That had better be filed as Exhibit 49.

THE WITNESS: Exhibit 49 will be copy of a letter from The Secretary of the Board of Transport Commissioners dated April 25, 1949, in reply to an inquiry

(180) Letter from Secretary, Board of Transport Commissioners, dated April 25, 1949.

of mine as to the extent of the compliance with Section 384 of the Railway Act.

MR. O'DONNELL: We had better have the letter asking for the information, as well.

THE CHAIRMAN: They can be put in together.

THE WITNESS: Yes, Mr. Chairman, I will have them put in together.

EXHIBIT NO. 49 -- Filed by Mr. Matheson.
Letter to the Board of
Transport Commissioners and
reply dated April 25, 1949.

THE WITNESS: Nor does it appear that the Statistics Act bestows any such power on the Dominion Bureau of Statistics, although no doubt uniformity in reporting forms has influenced some uniformity in accounting methods and procedures.

Uniform accounting regulations for railways in Canada was recommended in the Auditor's Report of the Canadian National Railways for the year 1944. ⁽¹⁸¹⁾ Part of that report reads as follows:

"Viewed strictly from an operation standpoint, the published accounts of the two railways (C.N.Rys. and the C.P.R. Co.) have not been subject to proper comparison because of:-

- (a) Difference in the accounting bases as between Operating, Income, Surplus and Reserve Accounts and as between the 'Consolidated' and 'Parent Company' presentation, and

(181) See pages 134 and 135, Volume 3, of the Minutes of Proceedings, House of Commons Committee on Railways and Shipping, dated October 25, 1945.

- (b) Disparity in traffic density over the peace-time years, due largely to the difference in purposes of original construction and extension of a considerable portion of the two properties.

We therefore recommend to Parliament the establishment, as early as practicable in the post-war period, of uniform accounting regulations for Canadian railways under the statutory authority of the Dominion. The recommendation is primarily that, after providing for any special requirements inherent in the ancillary operations of Canadian railways, these regulations governing the published accounts should follow the broad bases of the Interstate Commerce Commission classification for the United States railways in respect of the accounting allocations to Total Operating Revenues, Total Operating Expenses (suggested to include Depreciation of all Equipment and the larger units only of Depreciable Fixed Properties), Net Income, Surplus and the General Balance Sheet Accounts including specific provisions covering the utilization of Reserves. Whilst the adoption of the broad bases of the Interstate Commerce Commission classification is recommended because of international operations, it is in regard to the voluminous details involved in some of the orders affecting the railways of the United States that we see the desirability of the proposed Canadian regulations different in policy by simplifying the methods of accounting distribution at the source and by the avoidance of a certain amount of clerical expense.

It is further recommended that the regulations require the published Income Accounts to show the two principal traffic density factors of freight tonnage and passenger volume per mile of road operated." (Part underlined inserted.)

The importance of effective accounting control of public utilities cannot be over-emphasized. Unless accounting systems are prescribed by competent authority questions are certain to arise and doubts develop -- as in the recent general revenue cases -- in connection with the propriety of accounts and methods.

It is therefore recommended that there be enacted such legislation as might be required to establish uniform accounting regulation for Canadian railways under the statutory authority of the Dominion, and to that end the requirements of Section 20 of the U. S. Interstate Commerce Act be considered for application in Canada in such form, and in such manner as would be appropriate for Canadian railways. It is also recommended for consideration that authority be granted the Board of Transport Commissioners to prescribe rules for segregating common expenses between freight and other transport services, for example, between freight and passenger, based on such units which are most adaptable for measuring each class of expense. Moreover, it is desirable that provision be made for making available to interested persons all studies and reports pertaining to transportation prepared from time to time by departments of the Board of Transport Commissioners, or other Dominion agencies, that are in the public interest. In this connection, the releases of departments of the Interstate Commerce Commission

might be considered as a guide.

For example, Mr. Chairman, there is issued such material, containing a considerable amount of data, known as "Monthly Comments on Transportation Statistics." There is a note in connection with some of this information: "This information has not been considered or adopted by the Interstate Commerce Commission. Unless otherwise noted, the data herein given is based on reports of carriers, to the Commission." There is a wealth of very valuable information that is available in that report.

MR. O'DONNELL: Q. It is not an official communication?

A. It is not looked upon as that. I want to declare and read that particular aspect in, Mr. O'Donnell, in connection with ~~that~~ that particular report.

P A R T F I V E

THE CANADIAN NATIONAL-CANADIAN PACIFIC ACT 1933

"Review and report on the results achieved under the Canadian National-Canadian Pacific Act, 1933, and amendments thereto, making such recommendations as the present situation warrants."

(Section 2(e) Order in Council P.C. 6033, dated December 29, 1948.)

The Board of Transport Commissioners has stated that "The Canadian National-Canadian Pacific Act does not confer upon the Board any duty or authority to require the railway to study and undertake co-operative measures with a view to . effecting economies, or to review and investigate what measures they have taken, or might have taken under such Act."⁽¹⁸²⁾

Even under the Railway Act it may be questionable if the Board, in prescribing just and reasonable rates in general revenue cases, has the authority to consider possible economies that might be effected by the railways, cooperatively or otherwise, to improve their net revenue position apart from rate increases. There is no question as to the powers of the Interstate Commerce Commission in that regard as it has repeatedly admonished United States railroads against the futility of rate adjustments to meet current problems. For example, in Ex Parte Case 115 Emergency Freight Charges 1935, 219 I.C.C. 565, the Commission said at page 573 -

~~(182)~~ XXXVIII J.O.R. &R., No. 1-A, page 40.

"It is of the utmost importance also to bear in mind that rate adjustments are only one of the possible means of bringing about enhancement of net revenue, 15% Case 1931, 178 I.C.C. 584; General Rate Level Investigation 1933, 195 I.C.C. 5. In the interest of brevity we omit quotations from extended statements in our prior reports concerning the necessity of elimination of competitive waste and a greater degree of cooperation between carriers."

COMMISSIONER INNIS: Q. Does the power of the I.C.C. go much beyond admonition?

A. I believe it does, Dr. Innis. In this particular case I think that they can take into consideration what the railways have done in the direction of co-operation.

MR. SINCLAIR: Where do you find that, Mr. Matheson?

MR. O'DONNELL: Their jurisdiction is quite different from that of the Board of Transport Commissioners.

THE WITNESS: Oh, yes, quite different; it is more extensive.

THE CHAIRMAN: Q. They admonish the railways that they must first do all that they can, not only by co-operation, to bring about enhancement of net revenue; that is right, isn't?

A. Yes. That is a direct quote.

Q. Not only co-operation?

A. Not only co-operation; it is elimination of competitive waste and --

COMMISSIONER INNIS: Q. I was wondering how

far they actually went in investigating the extent to which the railways eliminated waste, or whether it was just more of an admonition.

A. It just escaped me, Dr. Innis. There is an aspect to that that came to my attention when I was drafting this, and I think perhaps they have a little greater power to go into this matter than the word "admonish" would indicate.

Q. Could you find that out for us?

A. I will check on this and let you know.

MR. O'DONNELL: Our set-up, briefly, as I understand it, is that Parliament itself has reserved the right to look into these co-operative measures, and each year a report must be made under the C.N.-C.P. Act directly to Parliament. The Board therefore had no jurisdiction to go into these matters. Parliament has control of that --

THE CHAIRMAN: You are speaking now exclusively to the question of co-operation between the two railways?

MR. O'DONNELL: Yes -- the C.N.-C.P. Act.

THE CHAIRMAN: It is in the power of the United States Board to see to it that the railroads do all they can themselves, not only by co-operation -- that is only one of the means -- but by all other means too, to enhance their net revenue.

MR. O'DONNELL: That is right. In the I.C.C. set-up there is a different jurisdiction accorded to it than there is to our Board of Transport Commissioners. The I.C.C., as I understand it, on an application is entitled to look into those things, whereas in Canada Parliament reserves its right to do that itself each year,

and under the C.N.-C.P. Act a report is made annually to Parliament.

THE CHAIRMAN: You are speaking of Parliament reserving a right in connection with the Canadian National Railways.

MR. O'DONNELL: And the Canadian Pacific too. The Co-operation Act --

THE CHAIRMAN: Yes, I am fully acquainted with the operation of the Co-operation Act, but I say that outside of co-operation there may be other means whereby each railroad can better its condition in respect of revenue without seeking an increase in rates. You see what I mean.

MR. O'DONNELL: I think they do that.

THE CHAIRMAN: That is what we were discussing, and the point is, how far can the United States Board go, not only in admonishing railroads --

MR. O'DONNELL: We can easily get the section of the statute and have it available; but there is a distinct difference .

THE WITNESS: I will check that up as well; I am positive I can get something on that.

THE CHAIRMAN: All right, go on, Mr. Matheson.

THE WITNESS:

Any doubt as to the authority of the Board of Transport Commissioners under existing law to give consideration to possible economies from cooperation of railroads in general revenue cases should be resolved once and for all by bestowing upon the Board the necessary powers to make such allowances as might be reasonable when it finds that in the public

interest cooperation and other measures could effect certain economies.

P A R T S I X

TRANSPORTATION LEGISLATION AND OTHER FEATURES
OF THE RAILWAY ACT UNDER CHANGED CONDITIONS

"Report upon any feature of the Railway Act, (or railway legislation generally) that might advantageously be revised or amended in view of present-day conditions."

(Section 2(f) Order in Council P.C. 6033, dated December 29, 1948.)

Since amendments in the Railway Act, the Maritime Freight Rates Act, and other statutes have already been recommended in connection with the presentation of various aspects of the Maritime transportation problem, there only remains for this Section such other amendments and general proposals which appear necessary in the light of changing conditions. A major objective for the future must be the maintenance of a low level of rates and fares in the transport industry in order that restrictions in the movement of long distance traffic may be minimized. The railway is peculiarly adapted to the carriage of goods in large quantities over considerable distances, and its future lies in its continuance in that field. Meanwhile, its retention of merchandise business depends upon the successful development of various methods of coordination.

There is a limit to freight rate increases in meeting the revenue requirements of the railroads, and this is particularly so in Canada with its strip-like economy. On this theme, the Interstate Commerce Commission stated in its annual report for 1948 as follows:

"For a number of reasons, the railroads in their own interests must not rely or expect us to rely solely on what their cost sheets show. Rate increases may be carried to the point where they are largely self-defeating. Viewed from a broader standpoint, continuing and large advances in rates work changes in the national economy which, on the whole, should be avoided where possible. Whether transportation is cheap or dear in terms of other prices, the flow of goods into our characteristically national markets and the economies flowing therefrom will be checked. As we said in our last annual report:

Decentralization or relocation of industries, and to an extent of population, the use of substitutes, recourse to foreign markets, and diminution of tonnage or travel and of revenue therefrom, are consequences when the price of transportation is forced upwards by costs to a level which the traffic will not bear.

While not unmindful of the many efforts which railroads individually and to some extent collectively are making to increase the efficiency of particular operations, and while appreciative of the fact that most railroads face difficulties in securing outside funds with which to effect cost-reducing fixed improvements, we are of the view that much more must be done to increase the efficiency and reduce the costs

"of railroad operations."

The achievement of the most economical transport system is complicated by the necessity of dealing with many factors, all more or less in a state of flux. It is patent, however, that the various modes of transport must be coordinated, maximum efficiency attained in the organization and operation of each enterprise involved, and new media and methods introduced as rapidly as is consistent with the main object of over-all economy. In the meantime, traffic must be encouraged by rate and service structures to flow by the most economical means or combination of means available at any stage of progress.

Because of the formidable and diverse problems in transportation which have existed, and certainly can be expected in the future, and since transportation is intimately geared to the workings of the whole Canadian economy, the creation of a national transportation agency would appear essential for the purpose of coordinating not only Dominion transportation activities, but also in cooperating with Provincial Governments in respect of transport services under their jurisdiction. Such an agency would operate independently of the Board of Transport Commissioners and the Air Transport Board, which would retain their quasi-judicial activities. Its primary function would include the promotion of intra- and inter-agency relationships, and the undertaking of studies directed to the realization of an adequate and efficient transportation system for the wide, equal and complete development of

Canada as a whole.

Then there are other aspects, such as to make a continuous study of the transportation problem, to keep the Government advised about the progress and problems in transportation, to conduct various kinds of research, and perhaps follow up and make studies that might be in dispute as between the railroads as to burden and benefit in connection with co-operation, and so on.

THE CHAIRMAN: Q. All that would be implied, would it not, in "studies directed to the realization of an adequate and efficient transportation system," and so on.

A. That is correct, sir.

Such an agency would form also the nucleus for the control and coordination of transport in the
(183)
event of war.

The report referred to in footnote 183 is a secret report; it is now in the library of the Department of Trade and Commerce, and I think there are some aspects there about co-ordination in war time conditions which might be of interest to the Commission.

COMMISSIONER INNIS: Q. Is it still secret?

A. Well, I think it would be available. There is some information that we received from Australia and England during the war.

(183) See Report "A Conspectus on the Impacts and Effects of Wartime Economy and Conditions on Island Transportation in Canada." (Library Dept. of Trade and Commerce).

Other proposals and recommendations are:-

- (a) Section 3, s.s. 2(b) of the Maritime Freight Rates Act should be amended since the judgment in the 21% Case makes it clear that the words "while the cost of railway operation in Canada remains approximately the same as at the said date" are indefinite and consequently capable of various interpretations and applications. It is evident that the intention of that particular part of Section 3, s.s. 2(b) is that tolls or tariffs authorized by the Maritime Freight Rates Act as of July 1st, 1927, may be increased or decreased in consonance with general freight rate changes authorized by the Board of Transport Commissioners for application throughout Canada but always maintaining the "discrimination between" as provided by the Act.
- (b) An amendment to the Maritime Freight Rates Act should be made in compliance with the recommendation of the Duff Commission which reads in part as follows:

"The Maritime Freight Rates Act should be applied to the Canadian National Railways in a similar manner to that of other railways within the territory described in the Act, and that steps should be taken to provide for the inclusion of Canadian National Eastern Lines operating accounts as part of the System

accounts, so that the Canadian National Income Deficit shall be all-inclusive." (184)

THE CHAIRMAN: Q. Was anything done under that recommendation?

A. No, Mr. Chairman -- well, I would not say no exactly. What has taken place is that during the last three or four years the Eastern Line accounts have not been published in the annual report of the Department of Transport, but I have been informed when I made requests for particular breakdowns for my own information that they would be available at any time. During the war the Canadian National Railways found it quite difficult, with the shortage of staff and so on, to continue that particular breakdown, and it is not published in the last three or four reports, if I remember correctly.

- (c) A provision should be added to the Maritime Freight Rates Act treating through traffic between Digby, N.S., and Saint John, N.B., as all-rail traffic.
- (d) In the event of a finding of unjust discrimination or undue preference under the Railway Act it should not be left to the lot of the carrier to remove the condition by any one of three alternative methods it might select, that is, by increasing the lower rate to the level of the higher rate, by reducing

(184) See page 18 of the Duff Commission Report.

The inclusion of the Newfoundland Railway as part of the Eastern Lines supports the Duff Commission's recommendation.

the higher rate to the level of the lower rate, or by adjusting both rates on another common level. It should be clearly indicated in the Railway Act that when a rate is found to be unjustly discriminatory, the Board be authorized and empowered to determine and prescribe the exact rate to be charged in such case. (185)

That is the situation that obtains in the case of the Interstate Commerce Act to-day.

- (e) A reparation section should be provided in the Railway Act whereby a railway will be made liable to the person or persons injured by unreasonable and unjustly discriminatory rates for the full amount of damages sustained in consequence of rates so found to be in violation of the Act, based on such period or traffic movements which the Board

(185) Prior to the Amendments made in the United States by the Transportation Act 1920, orders requiring the removal of unjust discrimination or undue preferences have usually afforded to the carriers the choice of three alternative modes of compliance. The Interstate Commerce Act now in force empowers the Commission to prescribe or fix the rate (see 59 I.C.C. 669). In the Malagash Salt Case the inference is left that the prerogative to remove unjust discrimination is that of the carriers - 56 C.R.C. 78 @ p. 86.

(186)
may deem reasonable.

(f) Section 312 of the Railway Act should be amended to confer upon the Board jurisdiction over facilities incidental to express services. (187)

(g) Provisions should be made in the Act conferring upon the Board power to suspend changes in rates, either upon complaint or its own motion, for at least three months or such longer period as may be deemed necessary, and it would also be stipulated that in suspension cases the burden of proof should rest upon the carriers.

I want to point out that as it reads that is a little ambiguous. The Board of Transport Commissioners at the present time has the powers of suspension under section 325 and under the Board's order No. 146 of the 7th day of July, 1915, and also Order No. 1997 of November 19, 1906, and here is the regulation as it reads in 146 -- and of course there is a further reference regarding suspension in tariff circular number 1, described by General Order of the Board 669, dated December 21, 1944,

(186) The Board has repeatedly found that it has no power to order any refund. "It can only declare what the lawful rate was or should have been, and the parties are left to whatever redress they may be entitled to consequent upon that declaration." -
12 C.R.C., 327 @ p. 333. See also X1 J.O.R. & R., p. 289-299; X11 J.O.R. & R., p. 228-231; XXXVI J.O.R. & R., p. 205-209.

(187) See X J.O.R. & R., p. 29 respecting jurisdiction of Board in respect of express matters.

effective May 1, 1945:

"That except of its own motion, or on special grounds advanced, the Board will not ordinarily suspend or postpone the effective date of any schedule, or any particular rate, rule or regulation shown therein, or any cancellation notice, unless an application for suspension or postponement is received by the Board at least fourteen days before the date when the said schedule or notice is published to become effective; the application to state the C.R.C. number of the tariff (if the supplement or notice, its number also), whether the entire schedule or a part thereof is complained against, and the anticipated effect of the new publication in sufficient detail to justify its suspension or postponement."

There has always been a question in connection with applications of suspension that I have had to handle as to whether or not the onus was on the shipper or the burden of proof was on the shipper, predicated on what my good friends the lawyers would claim, that he who complains must prove, and for that reason I think that should be resolved once and for all by a clear stipulation. Then in regard to the period of time, I might say that this corresponds somewhat to what they have in effect in the United States. Down there they have what is known as I. and S. dockets in connection with suspension matters.

(h) Cartage service, whether performed by a

railway or an agent, incidental to rail shipments should be deemed a rail service under the Railway Act.

- (i) The statutory rates on grain and grain products as provided by Section 325(5) of the Railway Act, should be maintained. These rates have undoubtedly proven of tremendous value not only to the West but also to all of Canada.

In the West, they have been of tremendous value in connection with feed grains.

As to proposals to recompense the railways for the difference between the Crow's Nest rate and the rate which otherwise would obtain based on the grain rates that existed in 1922 (in the same manner as reimbursements are made under the Maritime Freight Rates Act) it is believed that a determination should first be made as to what the normal rate would be after taking into consideration the density of the grain traffic, train load movements, per car revenues, the incidence of Crow's Nest rates in relation to the Western rate structure and other factors. If, pursuant to a careful study it should appear that the Crow's Nest rates on grain and grain products are relatively non-compensatory it would seem fair and reasonable that the railways should be

(188)

reimbursed for any deficiencies.

THE CHAIRMAN: Q. You speak there of proposals to recompense the railways for the difference between the Crow's Nest rate and the rate which otherwise would obtain, and so on; what proposals have you in mind there?

A. The Canadian Manufacturers' Association and the Canadian Industrial Traffic League made proposals that there should be reimbursements in their briefs to the Commission. I believe I am correct in that respect. There are two briefs, or there is one brief in any event, that of the Canadian Manufacturers' Association.

COMMISSIONER ANGUS: Q. What do you mean by non-compensatory? That they do not pay out-of-pocket expenses?

A. That is right.

Q. They do not amount to normal rates?

A. That is right. If, for example, a rate is --

(188) It is estimated that on the basis of an average haul of 800 miles for Crow's Nest grain and grain products, and by using the Board's formula in the 21% Case (page 64, XXXVII J.O.R.&R. 1-A) and the 1922 rates before the Crow's Nest Rates were re-established, the railways, instead of obtaining a 21% increase as of April 8, 1948, would have obtained only an 8% increase, and the reimbursements to both the C.N. and C.P. to maintain the Crow's Nest Rates would have amounted to \$33,017,820. in the year 1947.

well, there is quite a question there; I do not want to answer that too quickly. If you took all rates into consideration, with the over-all picture, Commissioner Angus, I would say that any rate that does not cover its full proportion and so on would be looked upon as in the category of non-compensatory rates; but, generally speaking, if a rate does contribute something over and above its out-of-pocket cost to the general over-all picture -- I mean, our whole freight rate structure is looked at from that angle, and I think that, generally speaking, when you say non-compensatory rates, they look at it from the angle of dealing with a commodity like grain or grain products, from the angle that at least it is not below the out-of-pocket cost so-called.

Q. Which definition were you using in computing the thirty-three million?

A. In a commodity like grain or grain products, I would say the latter -- covers out-of-pocket costs, contributes something.

Q. Do you say the Crow's Nest rates were yielding revenue thirty-three million below the out-of-pocket to the railway?

A. Oh, I am not saying that; by no means, Commissioner Angus. I am saying that if they had adopted the 1922 rates, the 1922 rates per se, looking at the volume of traffic, the per-car-mile revenue, the density of the trains, that might be a very exceptionally good rate. You see my point. Even the present rates if properly analyzed might be shown to be

very good; that I do not know, but, since this question has been raised --

Q. The reimbursement described in the footnote, then, is different from the reimbursement described at the foot of page 135?

A That is right, sir. I just took that as an illustration. Even taking, for example, my distance of 800 miles, there is no way for me to find out the average distance of a movement of grain or grain products to carry them through, so that is an assumption, too, but it is just put in there as an illustration of that particular point.

This brief has attempted to present the problems in relation to transportation which beset the Maritimes. The findings and recommendations are the result of an exhaustive study, and are presented with the main object of enabling a more commensurable participation of the Maritimes in the economic development of Canada as a whole.

THE CHAIRMAN: Any questions?

(Page 3772 follows)

MR. COVERT: Mr. Chairman and Commissioners, I intend first to put a few general questions summarizing very shortly the basis on which this brief is presented. Then I intend to take each one of the recommendations, as I gather them from the brief, and question on those points. I thought it might assist in directing the inquiry.

THE CHAIRMAN: I understand that Mr. Matheson will be available not only here but at the other places in the Maritimes?

THE WITNESS: At Fredericton and Charlottetown, right, Mr. Chairman.

MR. O'DONNELL: And Ottawa usually.

MR. FRAWLEY: He says at Fredericton and Charlottetown. And beyond that.

MR. O'DONNELL: In keeping with his usual habit of being at all these things, in Ottawa. That is what Mr. Frawley has in mind.

THE CHAIRMAN: I see. I was just referring to our immediate sittings.

THE WITNESS: In connection with this brief, Mr. Chairman, I would prefer if it were disposed of here instead of coming back again in Ottawa, although there is one exception in connection with one witness.

THE CHAIRMAN: You say "disposed of here". You do not mean in Halifax?

THE WITNESS: In the Maritimes. I feel if it were held over until Ottawa --

THE CHAIRMAN: That will depend on the outcome. We will have to see later on.

EXAMINATION by MR. COVERT

Q Mr. Matheson, as I understand your position you say that the Maritimes entered Confederation on the basis that they would be given access to the markets of Central Canada, and that the ports of the Maritimes would be developed as national ports?

A Yes.

Q That combined with the London Resolutions?

A Yes.

Q You say that one of the conditions was that the I.C.R. would be built up so as to secure those two things.

THE CHAIRMAN: On what page are those resolutions to be found?

MR. COVERT: You will find those on page 2.

Q Then you say that the Maritime Freight Rates Act was passed recognizing those points, and that the Act started to bring about the realization of the conditions which the Maritimes had urged before the Duncan Commission?

A That is right.

Q And now you say that since that, since the passing of the Maritime Freight Rates Act, by virtue of the competitive rates having been lowered in Ontario, the increases in the freight rates, and the raising of the arbitrary over Montreal, you are in effect saying that the position which was established for the Maritimes under the Maritime Freight Rates Act has been altered?

A It has been changed. Instead of the benefits accruing from the Act that we had anticipated, the competitive situation and these other changed conditions tended to nullify and offset them.

THE CHAIRMAN: Excuse me; I wonder if I might have a copy of the preamble to the Maritime Freight Rates Act.

MR. COVERT: Q. The main tenor of your brief, as I understand it, is that that position be restored?

A That is correct.

MR. SINCLAIR: Would you speak up, Mr. Matheson? It is very difficult to hear.

MR. COVERT: Q. As I say, I wanted to get the general background of your brief, and then I propose to take you over each of the recommendations. The first recommendation that I find seems to be on page 16 of the brief where you say that deficits from the eastern lines should not be labelled territorially, and the whole burden should be directly borne by the Dominion Government.

THE CHAIRMAN: Where is that?

MR. COVERT: At the bottom of the first paragraph.

Q Would you elaborate on that a little to indicate why the labelling of them territorially affects you, and what advantages would accrue if they were not labelled territorially?

A The primary opposition to having them labelled territorially is that first of all it is a very arbitrary accounting in any event, and secondly it is looked upon as a sort of pat to the Maritime Provinces when the whole set-up was predicated on national policy. As an arbitrary breakdown it is probably quite accurate and quite correct, but it is still an arbitrary breakdown of expenses, and we do not want it to be continued to be looked upon as something that is being given the Maritimes, and not

take cognizance of the fact that the route is 250 miles longer, and that there have been other railroads saddled on the Intercolonial and expenses have been aggravated thereby.

Q Now, apart from that do you think it has any direct effect? It has no direct effect on rate making?

A Well, if you look back on the basis of the statement that was made by Mr. Cochrane who said he wants to put it on a paying basis, if that is still basic to the whole railroad, and despite the 20 per cent reduction that is still the primary objective, then it could be looked upon as a criterion for keeping the rates to a high level, and despite the fact that it might have a restrictive effect on persons and industries in this area.

Q This also seems to be tied up with your suggestion that the eastern lines should be segregated, not physically but for accounting purposes?

A For rate-making purposes.

Q Rate-making purposes. I will deal with that later, but I should like to ask you at this point if you have thought out that this might lead to suggestions from other regions in Canada that their region should be treated separately as well?

A In reply to that, the whole historical background of the Intercolonial stands out so predominantly as a condition precedent to Confederation. The assumption that it would never be an economic operation in any event, the construction of the railway for military and strategic purposes 250 miles longer than necessary, establishes a strong basis, and while it is not definitely incorporated

in the British North America Act that the freight rates are to be kept low, it is evident from the pronouncements and events prior to Confederation that that was the anticipated event.

Q In other words, what you say is that different treatment is indicated here?

A Definitely different treatment, which is part and parcel of the agreement in connection with the establishment of the railroad.

THE CHAIRMAN: Pardon me a moment. Was there not a great deal said at that time about bringing the produce of Central Canada down to the Maritime ports?

MR. COVERT: Yes.

THE WITNESS: That was very important as well at the time.

THE CHAIRMAN: What about the freight rates in that direction?

THE WITNESS: Well, the long haul naturally is down to our ports vis-a-vis Portland, New York and Boston. Naturally if we were to gain any of that traffic our port rate structure would have to be so related to the United States short line hauls that we would attract traffic from our Canadian West and the Central Provinces. Incidentally that policy has been carried out in the freight rate structure until these United States influenced adjustments have sort of disrupted our structure between 1938 and the present time.

MR. COVERT: Q. On page 40 I think that is where I find perhaps a suggestion of a recommendation. I want to clear up whether or not you are suggesting that

the railroads should do this. I do not think you are. You say that a system of statistics should be made regularly available dealing with interprovincial trade. I expect that you are suggesting --

A It would be the Dominion Bureau of Statistics that would do that. Of course, one of the sources of statistics would be the railways as far as traffic hauled, and so on. It would be a task for the Dominion Bureau of Statistics in the direction and marshalling of data.

Q It occurred to me it would be a very difficult matter for the railways to break down their waybills between the various provinces?

A Well --

Q Would they not have to have ten columns?

A I forget what you call those machines. You would have a mark for each one of the provinces and put it through on one of those master cards. It would be easily indicated. At the present time there are statistics for freight originating in all parts of Canada, all the provinces of Canada. We refer you to our appendices. I do not know the exact number, but statistics are presently developed by the Dominion Bureau of Statistics for freight originating in the Maritimes by provinces, New Brunswick, Prince Edward Island and Nova Scotia, and the three provinces together, and including also freight received from foreign connections, and also in connection with freight destined to the Maritime Provinces and received from foreign connections.

Q Then I take it you are suggesting that this is of such importance that the railways keep additional

statistics and make them available either to the Department of Trade and Commerce or to the Dominion Bureau of Statistics, so that those statistics can be made available?

A Yes. What I think would happen is this, that the Dominion Bureau of Statistics under the Department of Trade and Commerce would have to study the whole picture and then sit down with the railways to see just what additional information would be required over that which they are obtaining at the present time. It might not be such a great volume. It might be just a slight alteration in their set-up that they have at the present time. That would depend on consideration by the authorities. Just how much it would involve I have no idea.

Q Then you would have to get in addition information as to freight hauled by trucks?

A Yes. That is being developed at the present time under this revision in the Act. D.B.S. did not have authority in connection with truck traffic until the recent amendment to which I referred. They are now required to get more information, and they are developing it. Of course, during the war under transit control and the administrator of services, they developed a system of getting information. I think it is just carrying this out, and I think from the truckers' own viewpoint this information will be valuable to them.

Q Now then, Mr. Matheson, I will ask you to go to page 49. In the penultimate paragraph on the page you say that national policies should be directed in every way possible to improving rather than worsening the economic

position of the Maritimes, and that rate adjustments which tend to be restrictive^{and}/shrink the distributing area of the Maritime production must be avoided. The first question I should like to ask you is whether you think that is a matter which should be placed in the hands of the Board of Transport Commissioners?

A No, it would be getting into a field - as a matter of fact, it is getting into a field of planning that is not intended in that at all. Far be it for the Maritime Transportation Commission --

MR. SINCLAIR: May I suggest that we cannot hear anything down here. I suggest that if counsel would move further away from the witness then there would not be a tendency to drop the voice and have a confidential chat.

THE WITNESS: Perhaps I have lost my voice.

MR. SINCLAIR: I would not doubt that.

MR. COVERT: Q. Mr. Matheson, you say that national policy should be directed in every way possible, and I was wondering if you had in mind whether the Board of Transport Commissioners should be clothed with wide powers to direct national policy, and link that up with rate adjustments which tend to be restrictive and shrink the distributing area of Maritime production?

A No, my approach to this is that I do not think they should sit back there as a bureaucracy and dictate national policy and all that sort of thing. Far be it from that, but I am saying their scope should be sufficiently broad that when rate matters come up that necessitate consideration, looking at it from the over-all national aspect, and the general, wide, round, equal and complete

development of the country as a whole, then they step in and say, "How does this affect the situation?" That is the point I have in mind, not for them to sit back and do some economic planning for the purpose of making adjustments as they see fit. I think that would not be in line with my own views at all.

Q Will you now turn to pages 62 and 63. At the bottom of page 62 and the top of page 63 you say:

"If the policies of the Intercolonial - which are now in statutory form - have been rendered ineffectual by changing conditions and the inadequacy of the Maritime Freight Rates Act as drafted to cope with the changes in furtherance of the recognized policy" -- And then you quote from the Act.

"-- then, in order not to have these policies stand defaulted, amendments are necessary to match the effects of changed conditions and circumstances."

I was wondering if you were referring there particularly to truck competition, and perhaps also to the effect of the change in arbitraries?

A Definitely, Mr. Covert. This was more or less a question of approach which I go on to develop later on in connection with my findings. In other words, what is the problem? Have there been changed conditions and circumstances that have disrupted or upset the purpose and intent of the Maritime Freight Rates Act? This is more or less a preliminary introduction to that.

Q I thought it might be a good time to bring it out once and for all in connection with the argument that was raised yesterday. In effect you are saying that they

might have thought once and for all that was the remedy, but if conditions have changed then it is certainly open to consideration today to see whether or not what they thought they were doing has been done?

A Yes. I notice that I have used the words "once and for all" unconsciously myself in my brief. I felt like taking a pencil and drawing it through them after I used it, because I think it is just more or less a rhetorical term, and Sir Andrew Duncan was writing his judgment and he says, "once and for all". You must remember there were a lot of grievances with respect to individual rates, and this 20 per cent was a shortcut method he recommended. He thought instead of taking this rate and that rate and making these adjustments, and so on, and he would have quite a mass of different adjustments and considerations, this 20 per cent once and for all was a quick way of handling it. That is my approach to it rather than just the angle of saying that this was to stand ad infinitum. I cannot reconcile myself to that view at all. I would refer you to page 23 of the Duncan Commission Report. In the middle of the second paragraph it reads:

"The immediate operation of this reduction will not withdraw from the purview of the Railway Commission the detailed claims which are already before them in respect of Maritime rates. It will only have the effect of withdrawing from the Railway Commission any review of these claims in so far as they are supported by arguments that relate to the considerations to which we have alluded in recommending the reduction.

Considerations such as attach only to individual claims, or to the general question as to whether or not railway companies should give better treatment than they are giving to long-distance traffic, particularly on natural products and associated enterprise, and to export and import rates from and to points outside the Maritime area passing through Atlantic ports, are still open for review by the Railway Commission."

In other words, it is my feeling this is a quick way of doing it, approaching the matter, and that it does not lend itself to the interpretation that this is to stay forever. Pardon me, I did not intend to make a speech on that, Mr. Covert.

Q You are not suggesting that there should be any amendment that would improve the position as it was fixed by the Maritime Freight Rates Act in 1927? You do not go back to that?

A I just do not follow what you mean by that question. In other words, your question is accepting everything that went up to 1927 as rectified by the Act up to that period and not going beyond that, and so on?

Q Yes.

A That is quite right. We thought when we got the Maritime Freight Rates Act, although it did not apply to import rates as recommended by the Duncan Commission, that this was a remedial arrangement which was in line with the inherent purpose and intent of the Intercolonial Railway.

Q. What I am trying to get at is, that if they find that these conditions have changed, amendments are necessary to match the effect of the changed conditions and circumstances. You say it is necessary to take it back to that which was in effect in 1927?

A. That is right, as established on July 1st, 1927.

Q. Then, on page 67, you suggest an amendment to section 8 of the Maritime Freight Rates Act, and you say, apparently, that the present section 8 is not satisfactory?

A. No. It tends to be restrictive. When we have a complaint, all the Board can do is to disallow, according to their interpretation, and that of the Supreme Court. They cannot grant a corresponding reduction to alleviate the situation. The only power they have is to disallow.

Q. And have you tested it?

A. Oh, yes, in the potato case, to the Supreme Court.

Q. So it is to overcome the result of that decision that you want an amendment?

A. That is right. I do not think it is fair, either. We had a case which we could not justify before the Board. It concerned the cancellation of a rate between X and Y. And it would not be fair to the railways if they stepped in and cancelled it, if they wanted to develop a certain amount of traffic, and so on; although it would be to our own interest to have a corresponding reduction in order to get our stuff into that particular market.

Q. Do you mean to say that every time an amendment would be made, when there was a competitive rate into Ontario, you would have to appear before the Board and

have the effect of it determined on the Maritimes?

A. Not necessarily so. If it appears to us that some adjustment is going to have detrimental consequences to our industry, under the rates in effect up there; they pertain to commodities not produced in the Maritimes. Take the rate on biscuits from Toronto to Montreal, with a 20% reduction. We would step in and say: We want a corresponding reduction.

Q. Because you manufacture biscuits here and seek a market in the central provinces?

A. To give you a specific illustration: competitive rates on biscuits were reduced from Quebec to Montreal, and the rates were maintained during winter months when there was no competition. That was before the roads between Quebec and Montreal were kept open. We protested to the Board and had some correspondence about it. In due course the rate was withdrawn. That was a case whereby, under this provision, we could have a corresponding reduction, and that rate would still prevail from Quebec to Montreal.

Q. I think there was one point where you referred to the word "tariff." When you say "tariff", you are referring to "freight tariffs"?

A. Yes. That should be added. "Freight" should be added.

Q. And the words "traffic conditions"; perhaps you could elaborate on them?

A. What I did there was this, if you will take a look at section 32(c) of the Maritime Freight Rates Act -- not being a lawyer, I found it difficult to draft these things in the way a lawyer would approach them.

Q. And you have just taken this: for instance, in 1932-33, the industrial and traffic conditions arise?

A. That is right.

Q. And you put those in here, in your proposed amendment; whereas, before it read in a negative fashion: "shall not approve or allow any tariff". You say that you would prefer "authorize or permit to adjust"?

THE CHAIRMAN: You are referring to what?

MR. COVERT: To page 67, Mr. Chairman.

THE CHAIRMAN: Page 2 of the statute, where the marginal note says: "Adjust or vary tariffs"? What are you asking of Mr. Matheson?

MR. COVERT: I was asking Mr. Matheson if he noticed on page 67 of his brief, in the proposed

amendment, the words underlined are, in effect: the changes which he is making in the Act, starting after the words "select territory":

" . . . accordingly the Board is authorized and directed to adjust or vary such statutory rates when it is evident such adjustments are necessary by any tariff or new industrial or traffic conditions . . . "

THE CHAIRMAN: What is meant by "statutory rates"? They would be rates fixed by what statute?

MR. COVERT: The Maritime Freight Rates Act.

THE CHAIRMAN: Does that mean specific rates at so much a mile?

MR. COVERT: It would just be the 20%.

THE CHAIRMAN: Oh, the 20% adjustment. I see.

MR. COVERT: Yes, in the rates under the Maritime Freight Rates Act now.

THE CHAIRMAN: You say the power now given is to adjust or vary such statutory tolls or rates, from time to time?

MR. COVERT: That is right.

THE CHAIRMAN: What is the use of introducing the word "statutory" in there? Might that not be misleading in the proposed amendment?

MR. COVERT: I think, if you will examine section 8 at the present time --

THE CHAIRMAN: Yes, that talks about giving the statutory advantages. But the words "statutory rates" would seem to me that some statute fixes specific rates, and that they are to be varied by the Board. But that is not the case.

MR. COVERT: That is true, Mr. Chairman; and I do not think that the word "statutory", in the proposed amendment, adds anything to it.

THE CHAIRMAN: That is what I mean. I think it should be struck out so as to read: "to adjust or vary such rates."

MR. COVERT: Q. You say that it is evident that such adjustments are necessary by any freight tariff or new industrial or traffic conditions?

A. The industrial or traffic conditions arise in connection with the interpretation of 32(c) in the Supreme Court Case, as reported in 41 C.R.C. 56; and there was a discussion of what is meant by the "changed traffic conditions and circumstances." I refer that to you for your information.

Q. If you will turn to page 74, the last paragraph of the section just before No. 3, you will see "It is therefore recommended --"

THE CHAIRMAN: Would you please repeat that? What is the point?

MR. COVERT: You will find it, Mr. Chairman, in the paragraph preceding paragraph No. 3 or heading No. 3 on that page 74. He says:

"It is therefore recommended in connection with the Maritime freight rate structure that the class arbitraries that existed on April 7, 1948, between Maritime originating points and stations in Canada be maintained constant in the application of any general rate increases in Canada that might be found necessary and justifiable."

I want to clear this up. My understanding is that you use April 7, 1948. Is that before the change was made? And it was just the same in 1927, when the Maritime Freight Rates Act became effective?

A. That is right.

MR. COVERT: Q. You are simply saying that the arbitrary must either always be the same as it was, or, if it is changed at any time, then the change must be such as not to affect the trading position of the Maritimes in the central provinces? In other words, if there is a differential or a discrimination in your favour, that that must always be maintained?

A. I am saying that the arbitrary be maintained constant from April 7.

Q. Constant and never changed?

A. Constant and never changed, unless there be exceptional conditions and circumstances which might reasonably be considered in a matter of discussion and deliberation between the parties concerned; and if it

could be indicated that detrimental consequences might not ensue, there might be an approach for consideration.

THE CHAIRMAN: Q. You mean that these arbitraries should never be changed except by consent?

A. That is right, sir.

MR. COVERT: Q. It appeared to me that the main reason for your recommendation was that these arbitraries should be kept constant to maintain the differential or to maintain your relationships?

A. That is right, and to lessen the impact of horizontal percentage increases, when they come along.

Q. Then it might change, so long as it did not affect the relationships between the two. For instance, if a rate were lowered in one place and raised in the other, you might change?

THE CHAIRMAN: That could be done, I think. In the history of relationships, going back to 1800, there were some alterations. There was an adjustment west of Montreal; and, at another time, an adjustment was made east of Montreal. It was a question of balancing the difference.

MR. COVERT: Q. Just so long as the relationships between the two territories were maintained?

A. That was the objective, yes.

Q. Have you any record of businesses being affected by a change in these arbitraries, or their having lost any business?

A. Just, at the present time, it is quite difficult under buoyant conditions to work out anything that would definitely and irrefutably indicate that they were detrimentally affected. There is, of course,

the case of the W. H. Schwartz Company, to which I made reference; also that of the Enamel & Heating Products Company, for which witnesses will appear and elaborate on the effect on those industries, competitive-wise. A lot of these industries are feeling the effect of these buoyant conditions.

We went through a period of horizontal increases, during buoyant conditions, in the first world war. And it was not until things got back to a state of relative normalcy -- whatever that is -- when the effects became more manifest.

Q. Will you now turn to page 77, where the last paragraph reads:

"The economic structure of Canada dictates that uniform percentages --- "

I am paraphrasing this --

" -- on long haul traffic, particularly on basic and primary commodities -- including foodstuffs -- should be avoided --"

You, in effect, say: they are not sound, if they tend to be restrictive and prevent producers located at points distant from the principal markets competing with producers near such markets?

A. Yes.

Q. Now, you seem to restrict that, particularly, to basic and primary commodities. Would that be because of the narrow margin of profits? Perhaps you could explain to me why you restrict it, primarily, to these?

A. Well, generally speaking, basic and primary commodities. Take coal, as an illustration, or iron and steel ingots, and lumber. Those commodities,

generally speaking, take low rates in any event. Otherwise they would not move any great distance. And when you turn around and apply a straight horizontal percentage increase on commodities of that character, some of them, because of their weight or bulk, and weighty commodities -- it tends to limit their field of distribution, because another competitor, who is located nearer a market, is going to have a preferred advantage.

Q. And your suggestion, I take it, is that you have something in mind like a fixed maximum, or cents per 100 pounds?

A. There are several ways in which it could be done. It would be a matter of weighing what the situation is. I do not want to have it appear as an extreme situation because a person, let us say, who is ten miles from X, going into Toronto -- are you suggesting that the rate should be just held down to that rate, for a person going ten miles into Toronto -- which I think is a sort of extreme situation.

But, perhaps, if you look at it in connection with the coal rates established by the Board, with a flat maximum amount -- that is actually what was done, by applying a flat maximum amount of 25¢ as an increase in coal, and held down to a distance of 100 or 1000 or 3000 miles, then the impact of that is a greater increase on the short haul than it is on the long haul; and it tends to maintain the relationship. That has already been done by the railway, despite the question which arises: just for the short haul, do you think it is sound and reasonable?

But in addition to that, there are methods of

approaching this.

The over-all general increase of class rates might be justified by a 21% or 30% increase. But an increase to basic commodities, such as apples, might be that they would raise them 15%, subject to a maximum; or it might be another percentage altogether, and let the percentage apply throughout the line.

I found, in checking the general revenue cases in the United States, that when they have a small percentage increase of, let us say, 5% or 10%, there are but few instances of these maximum amounts, because an increase of five or ten per cent is not great, or has not got the same impact as an increase of 21% or 30%. It is when they have a larger increase that they have the greater number of exceptions, to take care of these basic or primary commodities.

THE CHAIRMAN: We must adjourn a bit earlier today; so we now stand adjourned until a quarter to three.

---At 12.55 p.m. the Commission adjourned to meet again today at 2.45 p.m.

(Page 3807 follows)

Halifax, N.S., July 14, 1949

AFTERNOON SESSION

THE CHAIRMAN: All right, Mr. Covert.

MR. COVERT: Mr. Chairman and Commissioners, I understand that there are some people here who are prepared to give evidence on various points; Mr. Matheson thought they were ^{more}/competent on those points than he would be. The first one I think was dealing with fish, and Mr. C. J. Morrow is here to give evidence, if counsel want to ask him any questions with regard to matters raised in the brief.

CLARENCE J. MORROW, called

MR. SMITH: Mr. Chairman, I discussed with Mr. Covert the matter of calling this witness, and he asked if I would ask Mr. Morrow some questions as to qualifications. I will make them very short.

EXAMINED BY MR. SMITH:

Q. Mr. Morrow, you are Clarence J. Morrow?

A. Yes.

Q. What is your occupation?

A. I am Vice-President and Secretary-Treasurer of National Sea Products Limited.

Q. What is National Sea Products Limited?

A. Fish producers and processors.

Q. Carrying on an extensive business?

A. In fresh, frozen and salt fish.

Q. In the Province of Nova Scotia?

A. Yes; and distributing our products all over North America and the West Indies.

Q. Now, what has been your connection with the fishing industry?

A. I have been in Lunenburg in the fishing industry for 30 years, going there with W.C. Smith and Company Limited as accountant, and upon the formation of Lunenburg Sea Products Limited, which entered the fresh fish business in 1926 --

Q. W. C. Smith and Company Limited was in the salt and dried fish business?

A. That is correct. In 1926 the Lunenburg Sea Products was formed and I became Secretary-Treasurer of that company, and later in charge of sales. Then in 1936, when the Smith interests at Lunenburg purchased the companies then controlled by Ralph Bell, I became the President of the Lockport Company Limited, D. Hatton Company, Montreal, and also became a director of Nickerson Brothers, Liverpool, Leonard Brothers Limited, North Sydney, and Leonard Brothers Fisheries, Montreal.

Q. In 1945 there was a company organized, known as the National Sea Products Limited; is that correct?

A. That is correct.

Q. And what did it acquire?

A. It acquired all the Smith interests that I mentioned, along with Maritime National Fish Limited of Halifax .

Q. Is it the largest fish organization in the maritime provinces?

A. I think so.

Q. There is another company which is a subsidiary of General Foods?

A. Yes. When you say large, it depends on what

you mean. General Foods are here in the province, and there are also some large canners in New Brunswick, but I think our company handles the largest volume of fish.

Q. On the formation of National Sea Products Limited what office did you assume?

A. Vice-President, one of the Vice-Presidents.

Q. And Secretary-Treasurer, as you said?

A. Later I became Secretary-Treasurer.

Q. During the war did you serve on any Dominion boards?

A. Yes. Upon formation of the Wartime Prices and Trade Board I went with them, part-time basis, as Atlantic Director of Fish.

Q. Had you any association with the Fisheries Council of Canada?

A. Yes; I was partly instrumental in forming the Fisheries Council of Canada, and was its first President on its formation in 1945.

Q. Are you a director of the Bank of Canada?

A. Yes.

Q. And also director of other companies, including the Maritime Telephone Company Limited?

A. That is correct.

MR. SINCLAIR: I have one or two questions, Mr. Chairman.

CROSS-EXAMINED BY MR. SINCLAIR:

Q. Mr. Morrow, where are your principal markets for Nova Scotia and maritime fish?

A. Well, our fish are distributed all over Canada

and the United States.

Q. Do you ship a lot of fish to Montreal?

A. Yes; Montreal and Toronto would be probably the largest volume of any single market.

Q. And how far west do you ship fish.

A. Vancouver.

Q. Right to Vancouver?

A. Los Angeles.

Q. I am talking about in Canada.

A. Canada only -- Vancouver.

Q. Who are your principal competitors in the markets in Montreal and Toronto?

A. Oh, we have a great many competitors in the markets of Montreal and Toronto. You mean by names of companies?

Q. Oh no; from areas.

A. From areas? Well, we have competition from all the fishing ports of Nova Scotia, a lesser amount from New Brunswick, and quite an amount from Gaspe, Quebec.

Q. Now, does the maritime fishing industry compete with the B.C. fishing industry in Montreal and Toronto?

A. Well, yes. Fish, I suppose, competes with all foodstuffs, as far as that goes, but our varieties, our principal varieties, are different from the principal varieties of British Columbia.

Q. Do you ship halibut to Montreal and Toronto?

A. In very small quantities.

Q. Salmon?

A. In very, very small quantities.

Q. Cod?

A. Oh, yes; cod is our principal product.

Q. What is your rate from -- let us take a central point, Halifax? Maybe you can tell me if this is right: the distance from Halifax to Montreal is 803 miles, and on a 20,000-pound carload minimum the rate is 52¢; is that correct?

A. That is correct, on fresh or frozen fish.

Q. That is right. Now, I have been instructed that the rate on fresh fish from Vancouver to Montreal, which is a distance of 2879 miles, is \$3.05; do you know if that is correct or not?

A. Well, I could not verify that; it would be approximately correct.

Q. Now, in the United States market where is your principal --

A. Pardon me, that \$3.05 is a freight rate on frozen fish?

Q. Fresh fish.

A. I did not think it was that high.

Q. Fresh fish, 30,000-pound minimum, as against your 20,000-pound minimum, the rate is \$3.05 as against your 52¢.

A. But there **is** actually no fresh fish shipped from Vancouver to Montreal by freight.

Q. Salmon that comes in there -- well, fresh or frozen?

A. There would be frozen.

Q. Fresh frozen?

A. Yes, fresh frozen.

MR. O'DONNELL: Fresh frozen fish.

MR. SINCLAIR: Q. Now, in the United States where is your principal market? Boston? The New England States?

A. No. Boston is a market. Chicago, New York, Kansas City -- our fish are distributed quite generally all over the United States.

Q. And in the United States your principal competitors are on the North Atlantic Seaboard?

A. That is right, of our varieties of fish.

Q. How do their rates compare, for instance, to Chicago, as compared to yours?

A. I do not know the --

Q. They are substantially higher?

A. The rail rates. Our understanding from our customers in the States to-day is that they do not use the railways to any extent from New England. Most of their fish is brought in now by truck.

Q. Refrigerated truck?

A. Yes, where they can get smaller quantities --

COMMISSIONER INNIS: Q. Mr. Morrow, could you speak up a bit?

A. I am sorry.

THE CHAIRMAN: Q. What market have you in view when you say that?

MR. SINCLAIR: Chicago.

THE CHAIRMAN: Q. Chicago?

A. It is surprising to-day; they carry fish from New England down to Atlanta, Georgia, and other points in the south, as well as the Twin Cities and Chicago.

Q. By truck?

A. By truck. Quite a number of years ago I happened to be in the Twin Cities, when trucks were not so commonly used, and I was surprised to find they were bringing oysters from Maryland to the Twin Cities at that time by truck. That would be probably 12 years ago. But to-day the buyers in the middle west and some of the southern points are using the truck service quite generally. It is not only on account of the rates, but the convenience of getting a mixed load. They can go to Gloucester, perhaps, and pick up redfish, and go to Bedford and pick up scallops, and finish their load off in Boston with frozen cod fillets or frozen haddock fillets, and there may be two or three buyers take that truckload in a town or city.

Q. Would you say that the trucks are being used more than the railways in those cases?

A. Oh, definitely. I cannot make that as a definite statement, but from the information our customers give us.

MR. SINCLAIR: Q. For smoked or frozen fish, for comparable distances in the United States, their rates are substantially higher than your rates to the same market, are they not?

A. By rail?

Q. Yes.

A. I am not in a position to answer that question.

Q. In Mr. Matheson's brief he referred to the possibility of an import restriction on Canadian fish in the United States; am I correct in the fact that the reason for that was that the cost of production of these fish by Canadian industry was alleged to be or was very

much lower than the American people serving that market, and they had complained to the Government that they could not compete with you on a basis of cost? Is that correct?

A. That is correct, with this qualification, that it was not Canadian fish that they were so much concerned about as it was fish from Iceland, Norway and Newfoundland, when they started to move -- it was not a part of Canada then. Our costs of production are undoubtedly somewhat or slightly lower than those of New England.

Q. Even with the transportation charge, you are able to compete; you are able to set down fish in Eastern Atlantic Seaboard cities in the United States cheaper than they say they can produce it?

A. Not always, no.

Q. Isn't that true at the present time? Has not the Boston fishing fleet practically disappeared?

A. Oh, my, no!

Q. In regard to the size they had say two years ago, it is about a third, isn't it?

A. Oh, no, no, no.

Q. That is not right?

A. No.

Q. How far has it been reduced ?

A. As a matter of fact I think you will find that it is just as large as it was two years ago, and possibly a bit larger.-- two years ago, or three years ago. They have not been building any boats the past year or so and they have sold recently some of their

older boats that were out of date to the American Army in Germany, but their production has not fallen off -- I am sorry, I haven't the figures of their production with me, but I am quite sure that the New England production as a whole is just as large if not larger than it was two or three years ago. Boston may be off slightly; Gloucester --

Q. That is the place I asked you about, Boston.

A. I am sorry. Well, I don't think you can take Boston alone, because --

Q. Would I be correct about Boston?

A. No, you would not be correct when you say it has fallen off to the extent that you mention.

Q. But it has fallen off substantially, the fishing fleet of Boston?

A. It has fallen off in the last few weeks, through the sale of these boats to Germany, somewhat, but their landings are still comparing quite favourably with a year ago.

Q. There is a large deficiency market for fish in Central Canada, is there not, Mr. Morrow?

A. I don't understand what you mean by that.

Q. Well, local markets do not supply enough to meet the demand.

A. You mean the local lake fisheries and so on?

Q. Yes.

A. Oh, no, they do not supply enough.

Q. That is all.

CROSS-EXAMINED BY MR. O'DONNELL:

Q. Mr. Morrow, National Sea Products was incorporated

in 1945, was it?

A. Correct.

Q. And since then it has had a fairly healthy progressive business?

A. Yes.

Q. It has been able to make a few dollars each year?

A. Oh, yes.

Q. And declare dividends each year?

A. Small ones.

Q. And could you tell the Commissioners if you remember what price the stock was issued at in 1945?

A. Well, the stock was sold originally privately. I think the bonds were sold to the public at par. There was quite a large issue of bonds. Preferred stock was sold to the public at par, and the common was never distributed to any extent; it was not offered to the public.

Q. No, but it is all issued, is it not?

A. Oh, yes.

Q. And what is it quoted at to-day? There is a market for that?

A. Well, there is really a very small market for the shares to-day. They are not traded in on any market. There is a nominal quotation, I notice, in the papers on it, $12\frac{1}{2}$ to $13\frac{1}{2}$.

(Page 3818 follows)

Q Do you remember what they were issued at?

A They were issued to the promoters at less than \$1

Q And quoted at \$12 today?

A That is a nominal quotation. I do not think you could --

Q I am trying to find out whether your business has not been able to do very well on the freight rate that you have had, and as Mr. Sinclair said, in competition with the people out of Boston and Gloucester and Vancouver.

A Yes, the fishing industry has been fairly prosperous in the last two or three years, much more so than it was in the pre-war days, but we are on the down grade again now. Prices are declining. We don't know what is ahead of us.

Q None of us do. Thank you very much.

CROSS-EXAMINATION BY MR. FRAWLEY

Q Did your fish compete with the fish from the northern Alberta lakes in Chicago?

A Well, I would say there is very little competition in fish between lake fish and sea fish. There is a certain amount of competition naturally, but lake fish are generally eaten by a different class of trade than sea fish. I mean that largely the customers for lake fish are the Jewish trade, and while the Jewish trade does buy sea fish they will pay premiums for lake fish.

Q I was thinking of the position of the northern Alberta producer freight rate-wise compared with the people who get in there from Halifax. He is in a much

less advantageous position than you people are?

Yes, but in many cases he is handling a luxury product.

Q I understand from what you said to Mr. Sinclair that is really the distinction that you make. When you speak about what you do in the Chicago market you do not regard yourself as actually competing with the northern Alberta producer?

A That is correct. We only compete with him in the same way as we compete with the meat packer.

Q But it is true that if you are competing against him, just on that assumption that you are competing against him product for product, you are in a much better position freight rate-wise than he is.

A Yes, but we are not. There is no parallel between northern Alberta or any other lake fish and our cod fillet, for instance. It is a different product, the same as perhaps the cheaper cuts of beef as against turkey or some other luxury meat.

MR. O'DONNELL: Q. I might have asked one other question. In the figures at the bottom of page 107 of your brief you give comparisons of beef, bacon and pork with fish. The price of fish, on the basis you set out there, went from 10 cents a pound to 35 cents a pound?

A That is right.

Q About 250 per cent increase?

A Yes.

Q Pork has risen from 22 to 63 cents or 180 per cent. That is approximately right, is it not?

A Yes.

Q And bacon has gone from 28 to 92 cents, or about 228 per cent, and beef from 21 to 75 cents, or 257 per cent. Other than beef fish has increased considerably more than the other foodstuffs you mention in the figures?

A That was true up until the middle of 1948, I think. There is a chart, if you would like to have it, that shows that the wholesale price of fish has now crossed the line of meat and has kept below it for the past several months. That is the Dominion Bureau of Statistics.

MR. FRAWLEY: Q. I should have asked you about transportation by truck. You say you are now shipping from Halifax to Montreal by truck?

A That is right.

Q Are those rates regulated by any regulatory body?

A I am sorry, I cannot answer that. It is really in the experimental stage.

Q Is it being done by common carriers, or by your own trucks?

A It is not done by our own company trucks.

Q Do you know how that rate compares with the rail rate?

A It is no better than the rail freight rate. It is a case of getting fresh fish to the door at a rate below the express rates. The use that is being made of the truck today is in competition with express rather than freight.

Q Do you not have a fast refrigerated freight service between Halifax and Montreal for fresh fish?

A Yes.

Q You say you want to better that from a time standpoint?

A Yes.

Q That is why you are using a truck?

A That is right, and the convenience of door to door delivery, too.

Q The allround advantages of truck movement?

A Yes.

Q How does that compare with the express rate that you say it is intended to compete with?

A I think that rate is slightly better than the express rate.

Q Slightly higher than the express rate?

A No, slightly lower.

Q Slightly lower than the express rate, and it is not regulated. Nobody has told you how much you must pay?

A I do not think so. It is one of our divisions that is doing that, and I am not as familiar with the actual day to day movement on it as I might be. It might be interesting for you to know that one of the companies in the Association has shipped its first truckload of frozen fish to the United States.

Q Is that done by common carrier?

A It is done by the same company that is doing it to Montreal.

Q And no regulation as far as rates are concerned?

A No.

MR. O'DONNELL: What is the name of that

company?

THE WITNESS: I really cannot tell you. I can find out for you.

MR. O'DONNELL: Q. At page 109 of your brief in paragraph 6 it says:

"Transportation by regular truck service has also been inaugurated between Halifax and Montreal and is proving satisfactory."

Do you know of a regular truck service to Montreal?

A It is weekly; they were doing it on a weekly basis. As I say, it was an experiment, and it is still being carried on.

Q It is still being carried on?

A Yes.

Q But the regularity of it is on a weekly basis?

A That is right.

Q And the railway provides daily facilities from Halifax to Montreal?

A That is right.

Q When was that experiment started?

A Last fall some time.

Q Did it run through the winter?

A I do not think it ran all winter. I think they got in some difficulties, in the ditch on a trip, and they were out of commission for a while.

Q They let the railways have the business in the winter when the going is hard. Do you know whether it is being developed on a large scale? Is it one single truck?

A It is one single truck at the moment.

MR. COVERT: Q. When you referred to the index you were referring to the index on page 2058 of the minutes of proceedings and evidence before the Royal Commission on Prices, volume 39 of December 8, 1948?

A That is correct.

Q There is just one phase of the matter I want to deal with. Have you any figures available showing the per capita consumption of fish in Canada?

A I thought I had. It is roughly 11 pounds. I have not that table with me.

Q Has that increased or decreased in the past few years?

A It has actually decreased a bit compared with two years ago, three years ago.

Q What about the products beef, bacon and pork mentioned on page 107? Do you know about them?

A They have increased very considerably in the last few years. I think the figure on meat is around 144 pounds per capita, and if my memory serves me correctly that is an increase of about 27 pounds in the last few years.

MR. COVERT: I understand that Mr. Sutton is here to deal with the matters contained in the brief having to do with apples.

R. D. SUTTON, Called

EXAMINED BY MR. COVERT:

Q. Mr. Sutton, would you tell the Commission what your occupation is?

A My occupation is a farmer. I also carry on the

activity of Secretary of the Nova Scotia Fruit Growers Association, and I am President of the Nova Scotia Apple Marketing Board, which is an agency, a sales agency owned by the growers.

Q And is it correct, Mr. Sutton, that the major part of the apples produced in the Annapolis Valley are marketed through your Board?

A All of the apples grown in the municipality of West Hants and the counties of Annapolis and Kings are marketed through the Nova Scotia Apple Marketing Board.

CROSS-EXAMINATION BY MR. SINCLAIR

Q Mr. Sutton, in the Canadian market do you compete with Okanagan apples?

A We ship to the same markets.

Q What is your rate from Annapolis Valley points to Montreal compared with the rate from the Okanagan to Montreal?

A Our rate is cheaper than that from the Okanagan.

Q There is a market for various varieties of apples throughout eastern Canada at all times, is there not, Mr. Sutton?

A That is correct, yes.

Q I understand that your industry has geared its production for the English market?

A That is correct.

Q And the types of apples that are required by the English market are not readily saleable in the Canadian market?

A That is quite true.

... of the ...
... the Nova Scotia ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

... of the ...
... of the ...
... of the ...

Q And your industry is in a transitional period today in regard to production of varieties of apples?

A Correct.

Q But in regard to the varieties that you are growing that are easily saleable in Canada there is a ready market for them in Central Canada. Is that correct?

A There is a ready market. We are up against competition. Our chief competition in the large Canadian centres of consumption such as Toronto and Montreal are the apple growers of Ontario and Quebec.

Q But Okanagan apples do sell even in New Brunswick, do they not?

A That is true, but we do not consider them as great a competitor as the growers of Ontario and Quebec.

Q And they sell in Nova Scotia also?

A Yes.

Q You have a market of a million and a half people in Montreal, have you not?

A I believe that is about the population.

MR. SINCLAIR: That is all.

MR. O'DONNELL: No questions.

THE CHAIRMAN: Mr. Covert?

MR. COVERT: No further questions. That is all, Mr. Sutton. The next witness is Mr. John R. Bigelow who will deal with the lumber industry section of the brief.

JOHN R. BIGELOW, Called

EXAMINED BY MR. COVERT:

Q Mr. Bigelow, would you tell the Commission your

position? I believe you are the Secretary-Manager of the Maritime Lumber Bureau.

Is that correct?

A That is correct.

Q Would you explain to the Commission the functions of that bureau?

A The Bureau is set up as a clearing house of information for the lumber industry of Nova Scotia and New Brunswick. Strictly speaking it is a trade association, but we do a certain amount of negotiating and selling for the industry in certain markets.

Q How long have you been with that Bureau?

A Since 1946, three years.

CROSS-EXAMINATION BY MR. SINCLAIR

Q Mr. Bigelow, do you manufacture ordinary housing lumber?

A I do not; the members of our Association do.

Q I mean that. You speak for the Association. Your Association does. The answer is yes?

A Yes.

Q What generally is the type of lumber you produce, the variety, the specie?

A It is commonly called rough end dimension.

Q Is it spruce?

A Several species, spruce, fir, pine and hardwoods.

Q Where is your principal market in Canada?

A In Canada domestically in Nova Scotia and New Brunswick.

Q Do you ship any spruce or fir to Montreal or Toronto?

Mr. Bigelow, cr-ex.

A Small quantities of the lower grades.

Q Is your competition in that market from British Columbia lumber?

A Well, I would not know. I would take it that it is, and the production of Ontario and Quebec.

Q Do they produce fir?

A Are you referring to balsam fir or Douglas fir? I assumed you meant balsam fir which is the Maritime species. If you mean Douglas fir we do not produce it.

Q But your lumber meets hemlock grades from British Columbia, does it not?

A It would be in competition with hemlock.

Q Now, I have the rate from Chipman, New Brunswick, to Toronto, 40,000 pound carload minimum, distance of 836 miles, 36 cents a hundred. Is that about right? Is that correct?

A That is my impression. I am not an expert on rates, but that would be about right.

Q From Vancouver to Toronto, 50,000 pound minimum, a distance of 2,696 miles, the rate is \$1.07. From Nelson - interior lumber - to Toronto, 50,000 pound minimum, a distance of 2,326 miles, the rate is 98 cents. From Edmonton to Toronto, 50,000 pound minimum, a distance of 2,001 miles, the rate is 94 cents. That is all.

CROSS-EXAMINATION BY MR. FRAWLEY

Q Mr. Bigelow, somewhere in Mr. Matheson's brief he states that the Ontario-Quebec scale for moving lumber is now the scale used in the Maritimes. Is that approximately correct?

A I do not know what you mean by the Ontario-Quebec

scale. Do you mean on a measurement basis?

Q No, they have what they call constructive mileage in central Canada.

A I would not know anything about that.

Q Have you ever looked into the rates for moving lumber distances of 400 or 500 miles in Ontario and Quebec as against moving it in western Canada?

Page 3830 follows

A. Not in any intensive way, no.

Q. Let me give you a few comparisons, and you can tell me if the same scale applies in the Maritimes. You do have the same central Canada scale which goes way back into antiquity. The rate on moving lumber from Athabaska, Alberta, to Heath, Alberta, 222 miles, is 20¢; and from Mont Laurier, Quebec, to Finch, Ontario which is a distance of 230 miles, the rate is 17½ cents. You have something similar to that?

A. As far as I know those rates would be similar to ours.

Q. You do enjoy, in the Maritimes, that same constructive mileage scale which is used in Ontario and Quebec to move lumber?

A. I do not know what the constructive mileage scale is, but the rates you have mentioned are somewhat in line with the rates here.

Q. At 419 miles from Athabaska, Alberta, to Saskatoon, it is 27¢; and from Mont Laurier in Quebec to Peterborough, Ontario, 419 miles, it is 21¢.

MR. SINCLAIR: Q. Do you ship lumber to the United States?

A. Oh, yes.

Q. Where is your principal market there?

A. It is greatly scattered; but the principal market is what we call the New England area and metropolitan Boston.

THE CHAIRMAN: Q. The New England area?

A. Generally, and metropolitan Boston.

MR. SINCLAIR: Q. And the American price of lumber is higher than the Canadian price?

A. That is quite a generalization. But generally speaking, it is, yes. Lumber, of course, is a peculiar term.

MR. SINCLAIR: Thank you.

MR. O'DONNELL: That constructive mileage scale is an actual mileage scale.

MR. FRAWLEY: It is a lot cheaper than it is in western Canada; there is no doubt about that.

MR. COVERT: I think we should have that fixed on the record right here. Perhaps Mr. Matheson could tell us. It might be indicated that, when you use the term "constructive mileage scale", that 130 miles -- you are not suggesting that, are you?

MR. FRAWLEY: No. It is a quite different kind of constructive mileage. Mr. Matheson is aware of the fact; and I think that Mr. Jefferson -- than whom there is no greater authority -- called it a constructive mileage, or constructive lumber scale.

MR. MATHESON: I would not call it a constructive mileage scale. Probably you are confusing it with a construction mileage scale.

THE CHAIRMAN: What is the thing?

MR. MATHESON: It is just an actual special mileage scale which is applicable to lumber.

THE CHAIRMAN: Does it apply all over Canada?

MR. MATHESON: It applies in Ontario and Quebec; and the same scale is applicable in the Maritimes, except that it is 20% below the Ontario and the Quebec scale. Our scale is lower.

MR. FRAWLEY: And it is better!

THE CHAIRMAN: Can you tell us about the

western provinces?

MR. MATHESON: I have not gone into the western rate scales for some time, so I would not be in a position to do so. I have not checked them; so any evidence I would give would be more or less based on memory, and I wouldn't want to do that.

THE CHAIRMAN: Very well.

MR. COVERT: Q. Now, Mr. Bigelow, I think that the main market of the provinces of New Brunswick and Nova Scotia is the United Kingdom market?

A. That is right.

Q. And you say that your main market in Canada is within the Maritime territory; and your market in Ontario and Quebec -- do I understand you to say that it was mostly for the lower grades?

A. It is confined to lower grades, to low value.

Q. Would that be fir and spruce?

A. Balsam, fir and spruce must be inserted there.

Q. Would you not be in competition in that respect with British Columbia on that type of wood at all?

A. No. Very high grade woods are the ones which come east.

Q. I assumed that they could ship the lower grades from British Columbia for that distance?

A. The relative value of the woods which come east from British Columbia would be three times the value of the woods which go west from here.

MR. SINCLAIR: Q. You must have overlooked the evidence which we got in British Columbia, when they were shipping ordinary building lumber, hemlock, from British Columbia into the central Ontario market. I think that was evidence which was given in British Columbia; and that

was the reason why they wanted lower rates.

A. It is ordinary building lumber, but it is of high value because it is kiln dried and it sells at a very high price, whereas ours does not.

MR. COVERT: Q. That is not the type of lumber you sell in Ontario and Quebec markets?

A. No.

Q. I suppose the chief competitors in the market for this British Columbia lumber of the higher grade would be Ontario and Quebec themselves?

A. Yes, and American points.

Q. And your main competition in the Ontario and Quebec markets would be from Ontario and Quebec?

A. From local production.

Q. And would that apply to both the higher and lower grades?

A. We do not ship the higher grades.

Q. What about the trucking of lumber?

A. The domestic market is probably served eighty to ninety per cent by truck, so far as the statistics we have show. The domestic Nova Scotia and New Brunswick traffic and the movement for export, moving to ports for shipment, is truck moving, and truck moving is gradually increasing on that.

Q. Could you, perhaps, tell the Commissioners whether trucking is regulated here, so far as the price is concerned?

A. No. There is no regulatory body, that we are aware of.

MR. FRAWLEY: Q. Have you any agreed charges on the lumber scale?

A. Not so far as I know. It is done by truck.

Q. No, no. I mean, on the rail; have you any agreed charge for moving lumber on the railroads in the Maritimes?

A. I do not know what you mean by "agreed charge".

MR. O'DONNELL: I am informed that they have none.

MR. COVERT: Q. Is there any lumber trucked from here to Toronto, Quebec and Montreal markets?

A. Not so far as I know. I never heard of one case.

MR. SINCLAIR: Q. Do they not ship it by water?

A. Well, they do the pulpwood.

THE CHAIRMAN: Q. Are you saying that there are shipments made by water?

A. Pulpwood moves to the central Canadian markets by water, but I am not aware of lumber moving that way.

MR. MATHESON: Q. In the Toronto and Montreal markets, Mr. Bigelow, have you any knowledge of the quantum that might be trucked from Quebec and Ontario sources, in the vicinity of those markets?

A. No, Mr. Matheson. We would not have any particulars of that.

Q. I see.

MR. SINCLAIR: Q. Is the rate different on high grade lumber than on low grade lumber?

A. Not from the Maritimes west.

THE CHAIRMAN: Q. You are talking of railway rates now?

A. That is right; railway rates.

MR. O'DONNELL: While we are talking of trucks, I asked Mr. Morrow if he would be good enough to get me

the name of the trucking service referred to in paragraph 6 of the Fish Packers' Association brief as set out and incorporated in the brief which Mr. Matheson prepared, at page 109. I understand that Mr. Matheson merely incorporated that brief into his; and at page 109, paragraph 6, it says:

"Transportation by regular truck service has also been inaugurated between Halifax and Montreal and is proving satisfactory."

I asked if he would obtain the name of the trucking service. There is only the one trucker, and his name is Gordon A. Mills, 24 Drummond Court, Halifax. This information was given to me by Mr. McKee, who is present here today in the room, and who is associated with Mr. Mills.

Mr. McKee, you are an officer of the Association?

MR. McKEE: Yes.

MR. O'DONNELL: There is only one truck involved, a truck which runs on a weekly service to Montreal, which it has done for some time, It now runs to Boston and made its first trip last Saturday. That is the extent of the trucking service referred to in paragraph 6 of the brief.

MR. SINCLAIR: I understand there are no further witnesses, and I would like to say why the questions I have put were directed to the statements which they made at the top of page B of the brief, of Mr. Matheson's brief.

THE CHAIRMAN: You say the questions you have put are what?

MR. SINCLAIR: I was relating them to the statement which was made, reading as follows, at the top of page (b):

"The transportation factor is inextricably involved in the extent to which the products of the Maritimes from fishing, mining, agriculture, forestry and manufacturing, can participate more or less in the Canadian and United States markets. A disadvantage in rates to Maritime producers, as compared with other producers variously situated, requires a compensating advantage."

THE CHAIRMAN: Now, Mr. Covert?

MR. COVERT: May we not continue with Mr. Matheson?

RAND H. MATHESON, recalled

MR. COVERT: Q. Mr. Matheson, I was dealing with the recommendation on page 77 of your brief, and there are a few further questions I want to ask about it. You refer to the distance from the markets, and so on. Now, in some of the western briefs it was alleged that natural advantages, such as proximity to the market, should be retained. In other words, you keep your advantages and suffer from your disadvantages. Do you differ from that point of view?

A. The national background in connection with our Intercolonial Railway was to afford persons in industries to get into the markets of central Canada. That is the basic principle. I think that answers your question.

Q. That is basic. So, you would take issue with that statement, would you?

A. Keeping in mind those fundamental principles.

Q. Now, the next one is on pages 79 and 80 of your brief. At the very bottom of page 79 you recommend:

" . . . that the Board should be vested with wider supervisory responsibility in the public interest with power -

- (a) to establish rates for the development of the natural basic products and associated enterprises; and
- (b) to investigate and determine the incidence of the railway charge on production costs."

Again, you seem to restrict that to basic products and associated enterprises?

A. Those words are directly quoted from the recommendation of the Duncan Commission. I have incorporated them here, and I think that is the way the report of the Duncan Commission reads: natural basic products and associated enterprises.

Q. Yes. And when you say that the wider supervisory responsibility in the public interest, and when you give them this power to establish rates for the development of the natural basic products, that means that they should be able to approve of rates to encourage industries in certain areas?

A. I believe that is what is intended, or what I intended, and that is, if an industry finds that it is having difficulty, rate-wise, in order to obtain access to the markets, it should make a submission then to the Board; whereupon the machinery would be started to operate to investigate, and then, you see, whether their situation be one which justifies or whether it might not, would be another factor other than the transportation costs, which might be a deterrent, in the case of these people.

THE CHAIRMAN: Q. You have not a market where there are competitors from another area?

A. That is correct.

Q. But what about those competitors; what about their interests in the case?

MR. COVERT: Q. That is what I was coming to. You may upset or you might upset the competition in another area by disturbing the market pattern. For instance, take the case of lumber coming in from one production area and lumber coming in from another. Apparently you are assuming that the Board would investigate the situation to see whether or not a certain industry, a basic industry, is harmed, rate-wise. Supposing they granted so much to them; would that upset a competitor in another area?

A. That would, of course, involve giving the other competitor, so to speak, an opportunity to come into the situation as well, or, at least, to appear before the Board and to make known his particular case. And if it should appear that the other industry would be also affected, then it would necessitate the weighing of all the facts to determine whether the situation justifies the rectification. I appreciate that there would be some difficulty in that respect.

Q. Do you insist, presumably, in any such case, that all sections of the country, where industries of that nature were involved, would have to be notified to appear?

A. That is right. And I would like to give that particular aspect a little more thought.

MR. O'DONNELL: So would we all!

THE WITNESS: And submit a further statement on it.

THE CHAIRMAN: Q. You could tell us later on what solution might be found for this?

A. Yes, Mr. Chairman, I would like to do that.

MR. COVERT: Q. Do you think that the Board is equipped with sufficient staff and facilities, and so on, to deal with matters of that kind now?

A. At the present time? It is my view that they are not equipped to deal with matters of that kind.

COMMISSIONER ANGUS: Q. Would your recommendation assume that the Board might investigate the technical efficiency of an industry, when it applies for relief in rates?

A. Well, to say, for example, that the industry, distant-wise -- that industry might be at a disadvantage; yet, it might be an inefficient industry. And I think that the Board should have an opportunity to look into it to see that they are endeavouring to be efficient, and if the Board finds that they are not being efficient, from poor management or otherwise, then, why should they be assisted, rate-wise?

Q. The Board would need a fairly large staff to be able to do that, would it not?

A. I admit that.

(Page 3845 follows)

Q. Along the same lines, at the bottom of page 80 and the top of page 81 you say:

".....amendments should be made in the Railway Act and related legislation bestowing specifically on the Board wider supervisory powers making it mandatory for it to give due consideration in connection with any rate adjustment to -

And then you list four things:

"(a) the conditions which at any time prevail in industry to the end that commodities may move freely".

Now, are you suggesting that one of the prime considerations should be the free movement of goods? And I was wondering if you were tying that in with the statement that you have in volume 2, Mr. Kelly's statement before the Senate?

A. That is correct.

THE CHAIRMAN: Q. When you say that commodities may move freely, does that mean in all directions freely?

A. Yes, Mr. Chairman.

Q. Into the maritimes and out of them?

A. Yes. This is a general provision, and not just a maritime provision. Appendix 1-B of Exhibit 47.

MR. COVERT: Q. Appendix 1-B of Exhibit 47:

Do you think that the railways in this country, being trans-continental in character, are comparable to the regional railways in the United States? And in connection with that, while you are answering it, I would like you also to consider the question of whether or not the

market competition is not the main factor dealt with

by Mr. Kelly --

THE CHAIRMAN: By whom?

MR. COVERT: By Mr. Kelly. That is Appendix 1-B. There is a statement by Mr. Walter J. Kelly to the Senate Subcommittee.

THE WITNESS: It is quite a long question, Mr. Covert; I cannot just follow it. Would you mind repeating it?

Q. You say:

"(a) the conditions which at any time prevail in industry to the end that commodities may move freely".

Now, Mr. Kelly gives examples; for example, take one on page 2, which I think had to do with the movement of --

A. Sugar?

THE CHAIRMAN: Whereabouts on page 2 is that?

MR. COVERT: It is Appendix 1, page 2, and it is the 6th paragraph down, Mr. Chairman, appendix 1-B.

THE CHAIRMAN: Where it says, "This principle rests"?

MR. COVERT: Yes.

Q. ".....will enable producers located at points distant from the principal markets to compete with producers located nearer such markets, thus encouraging nationwide competition and stimulating the movement of traffic."

Then he gives an example of rates, for example, 100 miles 70¢, 500 miles, which is five times the distance, twice the rate, \$1.40, and 1,000 miles \$2.13, practically three times the price and ten times the distance. Now, I was wondering whether you had the same thing in mind.

A. Yes. in Canada, with two transcontinental railways, I think that is one of the themes in connection with my recommendation in regard to the Intercolonial Railway. If they make an alteration in rates say in the central provinces, then as a result of that alteration the other territories would all clamour for the same adjustment. Now, in the United States, with their heterogeneous network of railways converging on large centers, and each railway endeavouring to protect their own industry, they are always watching in order to develop the movement of goods on their own lines to those particular markets. In these specific illustrations which you have given there is a case on rates on sugar, there are cases on salt, oranges, grapefruit, and so on.

Q. What I was coming to was, it seemed to me from reading Mr. Kelly's statement that his main theme was competition. In every case that he mentions it seems to me that competition is --

THE CHAIRMAN: By producers.

MR. COVERT: Yes.

THE WITNESS: That is, competition, for example, to enable the grapefruit growers in Florida to get the Chicago market, and to enable the grapefruit growers in California to get into the same market.

MR. COVERT: Q. Are you suggesting that if the same principle were applied in Canada that might lead to people in all parts of the country shipping to the centers and encouraging long-haul traffic?

A. Definitely; I am quite in agreement with that -- endeavour to encourage the movement of trade

right across this narrow strip of ours, right across the Dominion of Canada.

Q. What I want to find out, then, is whether you think that is as possible with railways that are transcontinental in character as in the case of the regional railways in the United States?

A. NO, it is not to the same degree. They are running a greater risk of repercussions in respect of unjust discrimination and what have you, and also they must look at the over-all revenue. They might feel that the quantum of revenue from a certain point is so small that if they did that, where they are getting, in another area, a fairly large quantum of revenue, their total net revenue would be decreased as a result of that general adjustment.

Q. Is there perhaps such a thing in the United States as the railroads putting in rates that will assist the industries on their lines?

A. That is what they do in the United States.

Q. I was wondering if you had that in mind when you were talking about the eastern lines being under separate management?

A. That is definitely what I had in mind.

Q. Do you think that would encourage, for instance, long-haul traffic from the maritimes

A. Well, that is the purpose I had in mind.

THE CHAIRMAN: Q. What is your answer:

MR. COVERT: That is the purpose he had in mind.

THE WITNESS: That is the purpose I had in mind.

MR. COVERT: Q. Now, that seems to me to be a different answer from the one you gave yesterday when

the Chairman was discussing with you the question of whether or not a simple amendment to the Act would be just as effective as going to all the trouble to segregate the eastern lines and put them under separate management.

A. This part, Mr. Covert, is dealing with the over-all picture of the Railway Act in general, and not so much as to the Maritime Freight Rates Act aspect.

Q. But you do believe this, I take it from this, and you think it is important that condition (a) or your recommendation (a) be power given to the Board of Transport Commissioners?

A. Definitely, to look into this whole field when they come to the question of making a rate adjustment.

Q. "(b) 'the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed'".

Now, that, I gather from the footnote, is in the Interstate Commerce Commission Act?

A. That is right.

Q. Now, do you think that the B.T.C. has not the power to look at the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed?

A. They have very sweeping powers, as you know, Mr. Covert, but the point about this is that I believe it should be definitely stipulated right in the Act.

Q. I see. Now, I was wondering if there was something particularly you had in mind with respect to that,

-- the effect of rates on movement. Have you in mind a market pattern, the creation of disturbance or effect it would have on a market pattern presently existing?

A. No. This is what I have in mind, that for example let us say the railways propose an increase in rates. The railways themselves, the managerial prerogatives, on available information, exercise a certain amount of judgment. They are not infallible, and the Board themselves should be in a position to step in and say, "Now, we want these figures. We would like to appraise the situation. We can also look into the economic conditions surrounding this particular industry or industries as the case may be," and if on the facts before them they come to the conclusion that a 20% or a 30% or a 40% increase, as the case may be, may have detrimental effects and may impede the movement of traffic, then that is the purpose and intent of this particular section (b).

Q. "(c) the rate relationships under which industries have been established and developed;"

It would seem to me that you would perhaps be suggesting that if there is a vested interest by virtue of a rate --

A. Well, take for example the rate structure that existed in the maritimes in 1912, before 1912. There were certain industries that were developed along with those rates. Then the question arises when a rate change is proposed, would the upsetting of relationships tend to restrict or limit the marketing area of that industry? That should be

looked into. That is one of the principles behind the question of arbitraries as proposed in this brief. In connection with the port differential rate structure, that same principle is involved in maintaining the differential so that the various ports, for example -- that is another angle -- will be on a competitive basis for traffic, and so on.

Q. Then your last one:

"(d) the incidence of increases in worsening regions economically."

That should be something that they should be able to look at before they, for instance, grant a horizontal percentage increase?

A. That is right.

Q. Now, again, I would ask you, do you feel that the Board is staffed and equipped to deal with matters of this kind as it is to-day?

A. I do not know to what extent they have increased the staff on the Bureau of Economics, so-called, or what assistance they have obtained, but I am certain that their rate department is not large enough in order to handle matters of that kind.

THE CHAIRMAN: Q. Well, would you deal with a concrete case, Mr. Matheson? Suppose this investigation is made and the Board says to the railway, . "We cannot allow you to increase your rates here, because you are going to injure a certain business. What are you going to do then? Which is going to suffer, the railway or the industry?

A Then the Board can, as I see it, prescribe a basis of rates of a maximum amount that would, in their opinion, have a lessening effect. It might be the case that, between the railway and the industry, there might have to be a little bit of give and take in regard to the rate that might be established. There is a case perhaps where you might come to an impasse. I think that was referred to in one of the judgments in the general freight case. It is reported in 15 J.O.R. & R. I will give you the exact reference.

Q 15 what?

A Judgments, Orders, Rules and Regulations of the Board. I cannot give you the page number now. I will have to give it later on. There are two cases with reference to it. One is 17 J.O.R. & R. and the other is 15 J.O.R. & R. I will give you the exact pages. I thought I had them here but unfortunately I cannot put my finger on them.

Q You have not the names of the cases?

A One is the decision in the general freight rate investigation, and I think the other is the Crow's Nest Case.

Q What did the Board decide?

A It was more or less an obiter dictum in connection with a situation arising where an industry would be detrimentally affected, and at the same time where the railways required the revenue, that some steps would have to be taken in connection with national policy, and it referred specifically in 17 J.O.R. & R. as an illustration of that to the Maritime Freight Rates Act.

Q What you say sounds as if the Board were doing this very thing today, considering these things?

A That was in connection with this impasse where the industry said that it could not stand any extra rate and the railway said that they needed the increased rates, and they reached an impasse.

Q What you have just said means that the Board right today is considering these things?

A To a certain extent, but I do not believe --

Q What do they do when they are confronted with such a case? What did they do in these two cases?

A In the first case, if I remember, it had to do with the Crow's Nest rates, the application of the Crow's Nest rates to Pacific Coast ports, and they granted the Crow's Nest rates. As to the other it was just a mere statement in the decision, and no action was taken on it.

Q We can read the cases.

MR. COVERT:^{Q.} Two thoughts occur to me with respect to this. The first is are they not bound to run into claims of discrimination from other industries and regions if they put in a special rate to protect an industry in an area that may be --

A Under your transcontinental railway setup today that is quite correct, and that is one of the reasons why I am suggesting the Intercolonial Railway, to go back to this old basis.

Q Again I raise that question with you. It seems to me that here again you are practically making an economic planning board of the Board of Transport Commissioners. How do you feel about that?

A Oh, I really do not want to go that far, to suggest that it should be an economic planning board. I just do not like those words "economic planning".

Q I would be very surprised to hear a Maritimer who would. What I am trying to get at is it does seem to me that if you find powers like that in the Board - for instance, you say:

"the incidence of increases in worsening regions economically"

Then if you take your original statement you say it will be mandatory - perhaps that was in the one before it. You say:

"Then amendments should be made in the Railway Act and related legislation bestowing specifically on the Board wider supervisory powers making it mandatory for it to give due consideration in connection with any rate adjustment to" -- all these things.

It occurs to me that perhaps you say they are doing it now without planning?

A Yes, I really believe they are, but I believe that it should be definitely stipulated in the provisions of the Railway Act along the lines as suggested here, A, B, C and D.

Q On page 82 at the top of the page in the second line you have pointed out the views of the I.C.C. in maintaining rate relationships and the widest possible distribution of the products of each plant and each part of the country to promote the free movement of traffic and a large degree of competition over broad geographical

areas, and you have pointed out the failure of the M.F.R.A. to do this, and you recommend some measure to permit the recognized statutory policies inherent in the construction and operation of the Intercolonial to be reestablished in the public interest. That is your point again, that with the Transcontinental Railways you cannot do that, and with a regional railway you feel that they would be better off here?

A For rate-making purposes only.

THE CHAIRMAN: Does this quotation not ask for the widest possible distribution of the products of each plant and each part of the country thus encouraging and promoting the free movement of traffic? That must mean in all directions, east, west, north and south, not only from down here to central Canada.

MR. COVERT: But also from central Canada down here.

THE CHAIRMAN: Yes, it follows.

THE WITNESS: Yes, and following that through, Mr. Chairman, of course we say --

THE CHAIRMAN: Q. Why can that policy not be carried on today in Canada by the railways as they are?

A Well, as I see it, Mr. Chairman, the difficulty is, for example, if they put in a rate to meet competition between two points in Ontario, and that competition does not obtain from another point, although they are producing the same commodity, and there might be another point - we will say Winnipeg vis-a-vis Halifax. They could not very well put it in from one point without putting it in from all points, equalizing all rates, and the question

then arises from the whole revenue viewpoint, would they recoup sufficient revenue by these reductions to make up for the loss and leave it as the status quo that existed at the time?

MR. COVERT: Q. I do not think you have answered the Chairman's question. I gather he wants to know why you cannot do it with the transcontinental system without putting in separate management of the eastern lines for rate-making purposes?

THE CHAIRMAN: Q. Yes, I was addressing myself to these words, "widest possible distribution", which you seem to aspire to since you quote it here, all over the country, not only the Maritime Provinces but every part of the country, for each plant, and so on. Is there anything to prevent that being done today by our transcontinental lines?

A There is nothing to prevent that unless they create unjust discrimination or preference.

Q Well, of course.

COMMISSIONER INNIS: Q. Do you suggest there might be competition between different sections of the railway itself, that is to say, a railway anxious to bring British Columbia lumber, and a railway anxious to bring Nova Scotia lumber into the central provinces is really competing against itself?

A That is right.

Q And is it your view then that the western area might be preferred by the railway, the monopoly position might be given to the west rather than to the east?

A Would you let me think that question over, Dr. Innis?

THE CHAIRMAN: Will you proceed, Mr. Covert?

Q.
MR. COVERT: / I was wondering if this **strip** economy, Mr. Matheson, had raised any difficulties that are not inherent in the situation in the United States?

A Well, yes. I think in the United States they have - I have used this word before and it is a sort of monotonous repetition - a heterogeneous situation. The railways are criss-crossed all over the place. In Canada they are like two strips running across the country, whereas there are markets north and south, east and west in the United States. It is a different layout altogether.

Q Now, on the same page you suggest that the I.C.R. - this is in recommendation form - should be a separate entity for rate-making purposes only.

THE CHAIRMAN: What page?

MR. COVERT: It is on page 82.

THE CHAIRMAN: Oh, yes, I see.

MR. COVERT: It is the last paragraph.

Q You say for rate-making purposes only so as to include Toronto, Ontario and such other points in Ontario necessary to make the system function effectively, and included in that is the suggestion that the management would be located at Moncton, New Brunswick, and there would be the retention of any statutory advantages. The first thing I should like to ask you there is that you say Toronto and such other points in Ontario necessary to make the system function effectively. What do you mean by that?

A What I had in mind there was any other point. For example, you might have taken Windsor, but I have chosen Toronto because that is more or less the hub of the Ontario area, and the hub of where the greatest competition prevails.

Q Does that really amount to an extension to that area instead of to Levis and Diamond Junction? Is that what you have in mind?

A Yes, Levis and Diamond Junction are actually the terminating points of the Intercolonial Railway. Then from Diamond Junction to Montreal they only had running rates over the Grand Trunk, which is now the Canadian National Railways, and by extending it on to Toronto it would be extending the same arrangement that had existed before when the Canadian government railways were a separate operation. That is all.

Q You say this is for rate-making purposes. You do not mean to extend the selected area?

A No, the select territory would still remain as it is at the present time, Diamond Junction.

Q But whenever this separate entity for rate-making purposes wanted to make rates they would go before the Board of Transport Commissioners and they would be dealing with rates in that area up to Toronto or such other point as was selected.

A Correct. They would file their tariffs with the Board of Transport Commissioners in connection with any rate they wished to implement up to Toronto.

Q. I am puzzled as to what various other regions in Canada would think of a thing like this, and as to whether or not there would not be many other regions which would want similar advantages?

A. My reply to that question is that it still fits in with the purpose and intent of the Intercolonial Railway, except that we are asking for running rights beyond Montreal.

THE CHAIRMAN: Q. You are bound by the Maritime Freight Rates Act, and what is set out in that Act?

A. That is right.

Q. Yet you say, if there was another railway?

A. Under the Railway Act as constituted.

Q. Unless some other part of the area felt that it was being discriminated against, on that same railway?

A. That is right.

Q. They could not discriminate along the length of their own line?

A. No.

Q. So, it seems to me, that what you really want is some way whereby you can get to those markets legally; and I think the simplest way is to amend the Act and to say: this can be done without its being considered unjust discrimination?

A. That is the point.

THE CHAIRMAN: Will you proceed, Mr. Covert?

MR. COVERT: Q. On page 84, at the bottom of the page, you say:

"As a complement to the proposal enunciated, it is also recommended that the 'normal' class arbitraries over the rates from Montreal which

existed prior to April 8, 1948, from stations west of Montreal in Ontario territory to stations in the Maritimes, using Saint John as a base, be maintained in relation to any general percentage increases that might be prescribed, and where commodity rates are published such arbitraries be applied as maximum over Montreal at the class of the commodities so treated;" Now, this is, apparently, referring to eastbound rates?

A. Yes. The reason why I refer specially to eastbound rates is because eastbound rates represent today the so-called normal rates with respect to westbound rates, for the purpose of reimbursement under the Maritime Freight Rates Act.

Q. On page 74 you refer to westbound rates?

A. Between Maritime points and stations. Now, once you have got your eastbound normal you apply your Maritime Freight Rate Act; and then you obtain what would have the effect of maintaining your westbound arbitrary, as illustrated in that illustration which I have on page 85.

Q. The whole purpose of this is just to maintain this statutory advantage that you have now, or which the Maritime Freight Rates Act purported to give you, into the central provinces?

A. As of April 7, 1948.

Q. Now, then, referring to the eastbound, that is the point I do not quite follow yet.

A. One of the things about the eastbound rates, for example -- somebody says: One proposal was -- let us reduce the rates under the Maritime Freight Rates Act by 30% instead of 20%. That would tend to maintain, ~~xxx~~ relatively, some of the rates that existed prior to

April 8, 1948.

By so doing, you would not ease the impact of horizontal percentage rate increases in relation to commodities coming eastbound which, by maintaining your arbitraries, are commencing on the eastbound basis, and by applying your Maritime freight rates to that and maintaining your discrimination -- generally speaking -- under the Maritime Freight Rates Act -- then you lessen the impact of horizontal percentage increases both eastbound and westbound, so that our consumers in this area would also not be prejudiced. I won't say "prejudicially affected", but rather suffer from increased costs.

Q. They would then bear the same burdens as the other people, if the arbitraries over Montreal were kept the same?

A. Yes. Your arbitrary is kept constant; and applying your 20% reduction on the Maritime Freight Rates Act, would have the effect of keeping the arbitrary westbound constant. There might be cases where there would be variations in that, to balance it out in order to get a proper balance.

Q. Now, on page 85, in the last paragraph, or the paragraph before the one beginning "The recommendation"; you say:

" . . . basic and primary commodities, including foodstuffs, from uniform percentage increases by means of alternative measures when it appears that persons and industry might otherwise be prejudicially affected or handicapped."

Have you any alternative measures to suggest other than

what you have already suggested, I believe, in the form of a percentage or a fixed maximum or a low percentage?

A. Or just a flat maximum. No, I have not anything further to suggest. I think that is the common basis of application.

Q. Then, on pages 86 and 87, at the bottom, you suggest, take page 87, right in the middle of the page -- you suggest three ways in dealing with whether or not this, approximately, 20% should be increased percentage-wise; you say it can be approached three ways. First, by maintenance of the class arbitraries over Montreal; and then, as a second one, which you suggest, an analysis of each rate factor and a multitude of facts. And you give a third, to extend the selected area to the whole of Canada?

A. Yes. These are proposals which have been made. My basic proposals are the ones which I have in connection with the arbitraries, but these other proposals have been made in preliminary briefs of the Government, and I am just discussing them and recommending that whatever basis is the best basis for the Board, then it has our support.

Q. You would be prepared to discuss whether or not the maintenance of the class arbitraries over Montreal would be sufficient; but are you suggesting that it is necessary, perhaps, to extend the selected area over Canada?

A. I would leave it to those who made these proposals.

Q. You are just advancing them here and you say that they have been made?

A. Yes.

Q. And on page 93, in the paragraph beginning "Publication of joint through rates between Canada and the United States has been of considerable benefit in the free movement of traffic between the two countries, and nothing should be done which would in any way disrupt the continuance of through rate arrangements."

I think you suggest that the success of this depends on the greater liaison between the Board of Transport Commissioners and the Interstate Commerce Commission. Are you suggesting a joint international rate board on freight rates?

A. Whichever method would be the most satisfactory. There is quite a lot of controversy over that, and there has been in the past. But I am suggesting that whatever basis might commend itself to the Commission, without making any specific suggestions as to the one which might be better handled through better liaison between the Board and the Interstate Commerce Commission, the same as during the war.

At that time there was very close liaison between the Department of Munitions and Supply and the corresponding department in the United States set-up. So I suggest that it might be done through some sort of joint commission.

Q. In the case of a joint international board, would there not be ~~a~~preponderance of interest on the part of the Americans?

A. That is possible, before this has been discussed.
that

Q. Possibly the fact the United States rate structure would be forced on Canada?

A. It is already forced on us and I do not know if

it could be forced any more on international rates in eastern Canada. Any increases which have been effectuated in the United States are automatically applied on international rates, and we have an instance now where the division of rates over Windsor is lower, in some instances, than the through published rates. So it is an anomalous situation, because a combination of rates is lower than the published through rates. That constitutes unreasonableness both in Canada and the United States, by rulings laid down both by the Interstate Commerce Commission and the Board of Transport Commissioners.

Going to Chicago is a specific situation, and it is contained in the appendices hereto, and it is lower than the through rates.

Q. And do you say that that is because there is a lack of liaison between the B.T.C. and the I.C.C.?

A. I would not say it is a lack of liaison altogether, but I believe that if there were a greater co-operation and liaison between them, they could sit down at a round table and some of the difficulties which they have could be resolved.

Back in 1932 or 1933 -- and I think it is important to mention it -- one of the rate cases, a temporary rate case, the Interstate Commerce Commission allowed a certain increase. I forget the percentage. And the Canadian carriers at the time did not participate. But the whole increase that was effectuated, accrued to the United States lines.

Now, when in 1938 the ex parte Case 123 came into effect, on March 28, 1938, the same matter came up

again and there was some correspondence exchanged between the Board of Transport Commissioners' Chief Traffic Officer and the Chief Traffic Officer of the Interstate Commerce Commission. The point was put forward that unless the B.T.C. concurred in the increase that was prescribed, the American lines would obtain the full amount of the increase and the Canadian carriers would not retain a cent. Or, alternatively, a combination of rates would apply over border points.

(Page 3880 follows)

Now, I have the correspondence in connection with that, and if the Board would like to have it for their information I would be only too glad to file it, but that shows you the situation that obtains and has prevailed. I think, of course, in some instances it would be disastrous to have our special commodity rates, as I call them, on say potatoes from here to United States points cancelled and combinations applied over border points. That would represent in a large number of cases perhaps substantial increases. Yet at the same time there have arisen these anomalies which I point out, and I think it necessitates sitting around a round table conference with some regulatory body along with railway authorities to see if they cannot mitigate the situation and rectify the conditions that obtain.

Q. Then on page 97:

".....that Maritime port rates be adjusted at the earliest possible date so as to reflect, during the period April to November of each year, the relationships that existed with the port of Montreal prior to March 28, 1938. Such action would comply with Government policy associated with the encouragement of traffic through all Canadian ocean ports; it would be compatible with conditions and circumstances peculiar to Canada; and, moreover, it would maintain the port differential structure when Maritime ports are actually competitive with U.S. ports. In addition to the readjustment it is also important that there be appointed a

"foreign freight traffic officer for the suggested Intercolonial system, with headquarters at Moncton, N.B. The duties of such an officer would include all those things necessary for the encouragement of traffic through Maritime ocean ports."

What I was going to suggest, Mr. Matheson, first, was, wouldn't you probably be up against the American lines simply reducing rates to New York and Saint John-Halifax basis if you got in a rate war?

A. Well, I would not say necessarily a rate war. They would reduce the rates, that is all. They do that to-day. For example, we are on the same rate basis in the summer months, the summer rates published down to New York in the summer months from Western Ontario and Quebec points, and the tariff provides that those rates also would apply to the ports of Saint John and Halifax. Now, it is optional for them to meet that competition if they wish. Of course, if they start under-cutting, then that is a different proposition. I would not say that would precipitate a rate war. It would be up to them to put those rates down themselves, but it would not necessarily precipitate a rate war, in my opinion.

Q. What has been the experience in the past?

A. Oh, historically, quite a number of years ago, there was a rate war in which they got together and established this so-called port differential structure, but that would not necessarily mean that it would precipitate a rate war, as far as I can see.

Q. Now, on the second point, do you consider this appointment of a foreign freight traffic officer for the I.C.R. system as an important part of this

recommendation?

A. Even if we had not had the Intercolonial system, I still think it is an important part of the recommendation, and I still think that there are a lot of railway men who would agree with me only they are probably not in a position to come out and say so.

Q. You think that is important

A. At least, it has been so told to me.

Q. Would you mind telling the Commission just what you would expect to flow from such an appointment? Do you think it would mean more business?

A. If we had somebody down in Moncton who would be directly interested in the traffic to the ports, and to follow up the particular local problems in connection with the ports, and to look after the interests.

Q. Do you mean to say that there is not that now.

A. Oh, to a certain degree, but the authority is fully in the hands of Montreal and the foreign traffic department. I felt that way myself for a considerable time.

Q. Now, starting on page 98 and extending on to page 99, dealing with the groups in the maritimes, I am wondering if you are suggesting that there should be fewer groups still; I understood that they had reduced the number of groups before; is that correct?

A. Yes, that is true, at the time of the Maritime Freight Rates Act, on the basis that it was going to be filed as an Exhibit. I believe, now that there have been changed conditions, it would justify a reconsideration of their particular set-up distance-wise. Traffic conditions have changed, and perhaps what they did not

look upon at that time requires a different approach to-day, so for that reason I believe that this whole grouping area should be looked into. It might not necessarily mean a reduction in the number of groups; it might be the same number of groups, but in a review of the groupings that exist --

Q. You are suggesting that there are some anomalies that exist there to-day?

A. Well, there are, yes. If you take it distance-wise, there is an anomaly in connection with the grouping of : Prince Edward Island.

Q. For instance, if you took Prince Edward Island and made one group out of it, I suppose they would want the rate for the lowest group?

A. That would be logical, because in this particular case the highest group at the present time mileage-wise is higher than say from Halifax.

Q. Now, what is the average length of these groups?

A. Oh, they vary. I have not got them broken down on a mileage basis so that I can readily put my finger on them, but I have them somewhere in my file here, Mr. Covert.

Q. Well, just roughly.

A. Well, they vary. You take the westbound group between Halifax, extending right from the border of Quebec down to Halifax, that is one group, going westbound. That mileage would be probably about 400 or 500 miles long.

Q. What I am trying to find out is, is there any difference in the treatment here than there is elsewhere in Canada?

A. Oh, I would say that the grouping here is part and parcel of the Intercolonial Railway set-up. It has been built up ^{on} an arbitrary basis. The groupings have always existed in connection with our freight rate structure as far as I can trace back.

Q. Are you in a preferred position that way, compared with other regions in Canada, or in a worse position?

A. Well, in regard to shipments to western Canada and shipments from western Canada eastbound, you have got that whole territory from Montreal right down to Windsor blanketed, what we call Schedule A territory.

(Page 3886 follows)

The mileage from Montreal to Windsor would be in the vicinity of around 600 miles or thereabouts, about 600 miles, and at the widest point it is probably 300 miles in that particular territory. I am just speaking from memory. That gives you the idea.

Q What I was trying to find out was if there was some special reason that you were putting forward in recommending a reduction in these groups. It seemed to me that you quoted there, seemingly with approval, from the statement of Mr. Weldon, that the number of groups might be reduced. I understood, of course, that something had been done about that after that speech was made?

A That was four groups westbound. At that time, on June 30, 1927, we had seven groups eastbound and seven groups westbound. As a result of the Maritime Freight Rates Act we had four groups westbound.

Q Now you are suggesting a reduction in the eastbound?

A No, what I am suggesting in the case of Prince Edward Island is that it should be made into one zone, that ratewise perhaps there is a lot of justification for it, and then on the other hand there are one or two other angles which we are developing since we have been working on this matter, and which I think we can resolve with the railways in connection with our grouping, without having to go to the Board of Transport Commissioners.

Q It is Prince Edward Island that is before the Board of Transport Commissioners now?

A It is Prince Edward Island that is before the Board of Transport Commissioners now, and it has been brought into this particular case because of the principle that might be involved that was raised in connection with Mr. Dysart's letter which I read this morning. Secondly, there might be some economic and geographical features that might be within the realm of consideration.

Q Will you now turn to page 102? At the top of the page you recommend modifications in the basic long haul rates between other points in the Maritimes and stations in Canada - Quebec, Montreal and west thereof, mileage-wise, to correspond with Halifax and other points in the Halifax group. Does that also have to do with this grouping?

A That has to do with the grouping.

Q Well, what other points did you have in mind? Did you have any specific ones in mind?

A Let us go down to the Sydney area; for example, if on a mileage basis you change that to an island zone, make it one zone, there are other areas on that branch of the railroad that also might want that mileage aspect, that might also be included in that general revision. Do you follow me?

Q Yes.

A Then there are also the rates to western Canada, which is another matter which can be adjusted. That is the matter I referred to where we had an extra grouping, an extra group more than we think there should be. There might be other branches or segments. What I have in mind at the moment is the segment going

down to Sydney. You might extend that mileage without making much difference either to the railways or the shippers.

Q You say it would not make much difference to the railways or the shippers?

A I say that because there is not very much originating traffic or destined traffic in that particular segment that I have in mind. That has to be worked out and changed, and it takes a little time.

Q Would this be something that you could not ordinarily work out with the railways?

A I think this whole question of the zoning of Prince Edward Island, this particular aspect, will follow from that other one I referred to in connection with rates to western Canada. It can be worked out with the railways.

Q On page 103 in the second paragraph there is another recommendation reading:

"That such changes that are necessary in the Maritime Freight Rates Act be effected to restore the alternative routing privileges that previously existed via Saint John, New Brunswick."

I think perhaps you explained that pretty fully yesterday.

THE CHAIRMAN: Whereabout is that?

MR. COVERT: Right at the end of the second paragraph on page 103. It reads:

"While this whole matter of alternative routings appears to be one for an investigation directed to (a) a balanced arrangement in the interest of both the railway and shippers,

and (b) the practicability of universal interchange in Canada, it is, however, specifically recommended that such changes that are necessary in the Maritime Freight Rates Act be effected to restore the alternative routing privileges that previously existed via Saint John, New Brunswick."

THE CHAIRMAN: Q. What does "previously" mean there?

A That existed before the decision of the Supreme Court of Canada turning down the findings of the Board of Transport Commissioners, which arose on complaint of shippers that that routing should be held open. That decision is contained in 34 C.R.C., at page 223.

Q That is the one you give on page 102?

A Yes, that is the one I have given.

Q What year was that though?

MR. O'DONNELL: 1928.

THE WITNESS: The order is December 16, 1927, the Supreme Court.

THE CHAIRMAN: Q. Do I understand up to the time of that judgment these alternative routing privileges had existed?

A That is right.

Q And they were put an end to by that judgment?

A This particular judgment only authorizes ones via Ste. Rosalie Junction. They found inasmuch as the Maritime Freight Rates Act was compulsory to the Canadian National Railways and optional with the C.P.R. that they could not order the routings via Saint

John that had existed previously. The Board's decision, Mr. Chairman, is also contained in that same volume at page 207.

Q What did you say that last reference was?

A 207.

Q The same volume?

A Volume 34.

Q What page?

A 207. Both those cases give the complete history of these difficulties in connection with the routing via the Saint John gateway. You do not wish me to read the headnote? I have the volume here?

Q It is all right. I think I have it now. They said that where **it is only** optional there is no power to enforce it?

A That is right.

MR. COVERT: Q. You feel that since that decision is there an amendment should be made, because it was never intended to take that away?

A That is right; that is our position.

Q On page 104, in the fourth line from the bottom of the first paragraph, you say:

"The Maritime Freight Rates Act, therefore, should be amended to make it abundantly clear that there is to be no restriction or limitation in the Board's power to prescribe joint through rates over railroads subject to its jurisdiction in the Maritimes."

I wonder if you would elaborate on that and tell me why you put in the words, "subject to its jurisdiction in

the Maritimes"?

A I think I explained this morning about my interpretation of the decision about alternative routing, where it was optional and compulsory, in one case optional, and by the same token it is my inference and deduction that in respect of joint rates the Board could not or cannot prescribe joint rates between a point on the Canadian National Railways and a point on the Dominion Atlantic Railway, which is subject to the Board's jurisdiction, without running in the face of that particular decision. One is optional and the other is compulsory.

Q Therefore they could not establish a joint through rate under the Maritime Freight Rates Act?

A Yes, unless, of course, the two railways themselves went into that voluntarily, but if there was any hitch in connection with any joint through rate it would be just too bad. As an illustration, there are very few joint through coal rates from stations of the Canadian National Railways to stations on the Canadian Pacific Railway in New Brunswick. What we have in mind there is that by establishing these joint through rates the Board itself in connection with any dispute, even regarding divisions or what have you, could not step into the picture because of that decision, as I interpret it, as laid down in connection with the alternative routing case.

THE CHAIRMAN: Q. With what?

A The alternative routing case. That is what it is called.

MR. COVERT: Q. The one that was just cited.

A Following through the other part of your question, subject to its jurisdiction in the Maritimes, there is only one railway that is a provincial railway at the present time and that is --

MR. FRAWLEY: The P.G.E.

THE WITNESS: I did not know that it came down this far. I refer to the Maritime Coal, Railway and Power Company.

THE CHAIRMAN: Q. Where is that?

A That runs between Joggins and Maccan in Nova Scotia.

MR. COVERT: Q. In Cumberland County?

Page 3892 follows

A. Yes. Now, the Cumberland Railway and Coal Company and the S. & L. Railway Company are provincial railroads. But, as subsidiaries of the Dominion Steel and Coal Corporation, they are looked upon as being subject to the jurisdiction of the Board of Transport Commissioners. Does that answer that particular thing?

MR. COVERT: Q. There are no instances where this is working a hardship, as it stands. You are just saying the railway Act and the Maritime Freight Rates Act are to be amended, so now is the time to bring suggestions forward?

A. Yes, that is the primary point, although there have been instances where the question of these joint rates has arisen before.

Q. You are not going to suggest that this be made compulsory, for example, on the Canadian Pacific Railway?

A. No. The Act would be amended so that the Board would have jurisdiction in connection with joint through rates.

Q. On page 106, in the first paragraph, where you recommend that a pick-up and delivery service be extended generally throughout the eastern territory, I take it, in effect, you are saying that they have something better up there than exists down here in the Maritimes?

A. At the present time, with their 15% increase that they put in on the 15th of September, 1948, their competitive rates, on a pick-up and delivery basis, are higher than their Schedule A rates. I think, perhaps, with their increased trucking costs and so on, it balances. But I do not know. I have not gone into the situation. But that was a temporary thing at that time, because I

think they expected that the normal rates were going in. But before that particular period they had the original basis. They had a special scale of rates, and they had also exceptions from the general classifications which are all set out in Exhibit 47, and also the present situation.

Q. Now, those pick-up and delivery service rates were added because of truck competition?

A. Definitely. At one time -- to give you an illustration, in checking up, because the situation might have altered -- you get pick-up and delivery service right from Quebec City into Windsor, or Sault Ste. Marie, for that matter.

Q. And there was no comparable truck competition in the Maritimes?

A. I have not been able to determine whether there was truck competition in the month of January between Sault Ste. Marie, in the winter time.

Q. On page 107, dealing with the car ferry, the P.E.I. car ferry, you suggest it might be worthy of consideration if/a department of the government instead of operating the ferry and facilities, there be created a Prince Edward Island Ferry Commission, bestowed not only with wide administrative powers, but also with authority to resolve all problems that might arise in connection with the service.

What special advantages do you expect to flow from that?

A. I am going to leave this whole paragraph (j) to Prince Edward Island. I think they are going to speak to it considerably over there.

Q. And at page 114, at the very top, you say:

"Increases in rates, when necessary and justifiable, must therefore be kept at the very minimum . . ."

A. That is right, that is the general theory.

Q. Again you would say that the Board, in a case of that kind would say, here is an industry which may be prejudiced by a general rate increase, and they should examine it very carefully and not allow a flat percentage increase in a case of that kind?

A. That is right; that is exactly what the Interstate Commerce Commission did in the United States. They held down in Ex Parte 166 to 13¢ a 100 pounds.

THE CHAIRMAN: Q. They would not allow a flat increase on potatoes?

A. That is right; that is what the Interstate Commerce Commission did in the United States.

MR. COVERT: On the same page, dealing with the coal industry ---

MR. SINCLAIR: Might we have the extract from the Order of the Board -- I mean, from the I.C.C., so that we might check it?

THE WITNESS: The Ex Parte Case?

MR. SINCLAIR: Yes.

THE WITNESS: I think I could give you the whole thing from the tariff. No, I will make a note of it and give it to you later and you can look over it.

MR. SINCLAIR: Thank you.

MR. COVERT: Q. On the same page, 144, you say, dealing with coal -- it is in the second paragraph under the heading of Coal Industry:

". . . that joint through rates on coal be established from coal originating points to destinations on the lines of the principal carriers subject to the Board's jurisdiction."

It may be that you did not want to deal with that. Perhaps this industry -- is this to be covered by the Dominion Steel Company's brief?

A. No. The Dominion Steel brief is only going to cover iron and steel.

Q. You say that it is in the interests of the industry and consumers that joint through rates on coal be established from coal originating points to destinations on the lines of the principal carriers subject to the Board's jurisdiction. Would you mind elaborating on that?

A. Yes. At the present time there are combinations of rates on coal. For example, coal from Glace Bay moving, let us say, to Truro, is based on a combination over Sydney and up to Truro. One factor is the Canadian National, and the other factor is the S & L, going to a station on the D.A.R.. At the present time there are some through rates which have been established.

(Page 3902 follows)

Going to points on the C.P.R., there are -- I don't remember if there are many through rates either. I feel quite positive that there might^{not}/be very many at all. There might be one, there might be two; I am not quite certain at the moment; I will have that checked. If my memory serves me correctly, there are none, excepting going to West Saint John.

Q. How do these combination rates arise?

A. Well, it is the rate on one railroad to the connecting point plus the rate from the other railroad connecting point on to destination. In the western rate case this same question arose over the west, and the Board of Transport Commissioners prescribed joint through rates when two railroads were involved on a basis of 20¢ per ton above the single factor rate on one line.

THE CHAIRMAN: Q. Is that on coal?

A. That is on coal.

MR. COVERT: That is the decision you refer to at the bottom of page 114?

A. That is right; and, if I remember correctly, that 20¢ has not varied very much since 1914. It is still approximately 20¢, according to the last time I checked it.

THE CHAIRMAN: What is to prevent the Board doing the same thing here?

MR. O'DONNELL: Nothing at all.

THE WITNESS: Oh, there is nothing at all, Mr. Chairman. This matter has not been referred to it.

MR. COVERT: Q. That is, they could go before the B.T.C. and do it?

A. Yes.

Q. Have you any idea why it has not been done? You have recommended it here.

A. Well, I say it could be done, but I have strong doubts that it can, because of that particular decision I quoted. One is optional, and the railways did not want to participate.

Q. You say that by virtue of the Maritime Freight Rates Act and some of the railways having the option rather than it being compulsory?

A. That is right. There have been some joint rates voluntarily implemented between the carriers.

THE CHAIRMAN: Q. Would the Maritime Freight Rates Act interfere with this? Wouldn't the Board have its general jurisdiction anyhow?

A. That is the question, Mr. Chairman.

Q. The Maritime Freight Rates Act is a specific Act to bring about a certain remedy. I am not deciding anything, but I am just questioning whether what was done in the west by the Board cannot be done in the same way here.

A. The question arises, Mr. Chairman, if for example --

Q. I know you have this optional business about Saint John; I understand that.

MR. O'DONNELL: That is a different matter, though. That is an alternative routing matter, and this is a joint through rate. They are two different things.

THE CHAIRMAN: You see, this is a joint through rate, only you have to change railways. I do not know what is to prevent the Board doing that

to-day.

THE WITNESS: Legally, sir, that perhaps is so. It is a question that has been in the back of my mind in that regard for some time.

MR. COVERT: Q. Now turn to page 122 --

MR. O'DONNELL: I am instructed, Mr. Chairman, that the railways are always prepared to negotiate a joint through rate any place that there is a movement.

THE CHAIRMAN: Talking of this coal situation?

MR. O'DONNELL: Yes.

MR. FRAWLEY: You are only talking of coal, are you?

MR. O'DONNELL: Yes.

MR. FRAWLEY: It could be interpreted more generally.

MR. O'DONNELL: Well, talk of other things at other times.

THE WITNESS: There is a history in connection with that. I do not want to go into a lot of detail, but I think it applies in connection with coal rates over the Dominion Atlantic Railway. I am still not satisfied that the through joint rates between stations on the Canadian National Railways and stations on the D.A.R. are satisfactory, and we are going to take action in that respect.

THE CHAIRMAN: Q. Take action before the Board?

A. Before the Board, yes. This particular feature, Mr. Chairman, I think I should stress, I did not really believe excepting to the point there,

the dubious question that arose in connection with if there was any conflict between the carriers themselves in respect of joint rates as to the legal significance. Then it would be a matter as to which we think the Maritime Freight Rates Act should not be interpreted in that way, that you still should have the same broad powers to go ahead, at least the Board, with joint rates, to prescribe them and make the divisions. That is the only point I think I had behind this, that this thing is wide open for further consideration.

MR. COVERT: Q. At page 122, the recommendation with the letter (a) beside it, that is the same as page 81. I want to deal with (b), at the bottom of the page. You say:

"As to competitive rates the Board should exercise only such broad supervisory powers that are necessary to ascertain that the rates are no lower than necessary to meet competition, and that they are not unjustly discriminatory or cause undue preference or prejudice. It would appear necessary also that when the railways establish rates to meet water competition they should not be permitted to increase such rates unless it is established that such proposed increases are justified on conditions other than the elimination of water competition."

Now, first I would like to ask you, how do you recommend that these wide supervisory powers should be exercised?

A. Well, I think that the expression "broad supervisory powers" more or less answers itself there. I believe that they should have the power of investigation,

or should be in a position to go out and investigate and make determinations somewhat in the same manner --

Q. Before you go any further: You would not suggest that that be done before a competitive rate be put in?

A. I see your point there. You have the point there not to preclude the railways from meeting a competitive situation when it arises, .

Q. Yes.

A. I think that should not be done. I think the railways should be in a position to meet their competitive situation as soon as it comes up, and we have to make some allowances for discretion on the part of the railways in meeting the situation. However, you might be able to put it in on one day's notice. After a certain period of time, if they found that they were going beyond their scope and they got their hands slapped once or twice, and probably put in rates that were not just what they should be, there would be a great deal of hesitancy on their part to get spanked or hauled over the coals in regard to this matter, and that would in itself have a restraining influence in regard to this aspect. But I feel that the railways should be in a position to meet competition on short notice, and, if I remember the fourth section of the Interstate Commerce Commission Act, it is one day's notice there in connection with meeting competition. In fourth section relief cases you have to indicate that the rates are reasonably compensatory, that they are not confiscatory rates, and you have to indicate that the

competition is actual, and I forget all the different facts that you have to indicate before the Interstate Commerce Commission -- and that there is not too much circuitry in connection with the movement, so --

THE CHAIRMAN: In the meantime, are the rates in effect?

A. Oh, yes.

Q. In the United States. At the present time when the railway grants a competitive rate must it not notify the Board immediately? Isn't that right?

A. They can write advice, sir. If they want to put in a situation immediately they can do so, even without filing a tariff in the matter of rate advice on a specific movement.

Q. There is something in the Act here about competitive rate.

(Page 3909 follows)

A However, I believe the Board's powers should be broad. I do not think it should be restricted in connection with a competitive situation. Here is one fact that stands out in my mind since it has been raised --

Q What section governs that?

MR. O'DONNELL: 332.

THE CHAIRMAN: All right.

THE WITNESS: If the railways were precluded from in any way implementing reductions to meet an immediate competitive situation, and assuming that they are getting something out of the rate above out of pocket cost, if in the course of a year they could not do that in probably 120 cases because of restrictions in the Act, that would have the effect of interfering with their revenue position and in the long run would increase their demands in connection with long haul traffic.

MR. FRAWLEY: You will find there are tariff rules prepared by the Board under section 332.

THE CHAIRMAN: I notice that section 332 just provides for the filing.

MR. FRAWLEY: Yes.

THE CHAIRMAN: It does not provide there for any action to be taken by the Board, does it?

MR. O'DONNELL: No. No action need be taken by the Board on a competitive rate.

THE CHAIRMAN: Unless somebody complains.

MR. O'DONNELL: Yes, unless somebody complains.

THE CHAIRMAN: I think Mr. Matheson would have it that the Board would take action in every case.

THE WITNESS: For example - and I think the

railways do this now - when they put in a competitive rate, they do file a form as to the extent of the competition as between X and Y. There is a motor truck moving between X and Y, and there is a little minor detail given. It is not very extensive, as I remember the form. On the other hand the requisites in the United States are more extensive. They require details about the revenue per car, and whether the haul is circuitous, the haul involved, and all that sort of thing. I really believe information of that kind should be made available. In the United States they have what is called forced section relief, and pending investigation what actually happens is that the rate becomes effective to all intermediate points. We had a case of that kind as to turnips being shipped to the United States where Portland was not involved in the application, on the immediate application before the Interstate Commerce Commission, but after forced section relief was approved Portland came into the picture.

MR. COVERT: Q. In effect you are saying there is no objection to the railways putting rates in quickly, but there should be more supervision after they are put in to find out whether they are not lower than necessary to meet competition, and that they are not unjustly discriminatory or causing undue preference or prejudice?

A Yes.

Q You say there should be more supervision over that than there is today?

A Yes, and more information when they file in

connection with a rate reduction. When they file their material with the Board there should be this extra data.

Q That is so that people can look and find out whether there is real competition that they are meeting?

A Undoubtedly, and, for example, if the Board have to investigate.

Q If they file that material the Board could see just by looking at that material --

A After a time they would be able to judge through their Bureau of Economics, and so on, and on the basis of decisions and traffic conditions that obtained in previous instances. It is one of those things that would evolve, so that it would not take so long to give an adjudication in connection with these matters.

Q As I see it it is the latter part of that statement --

THE CHAIRMAN: What is that?

MR. COVERT: Q. It is the latter part of that recommendation. It reads:

"It would appear necessary also that when the railways establish rates to meet water competition they should not be permitted to increase such rates unless it is established that such proposed increases are justified on conditions other than the elimination of water competition."

That is to say, the rate might be put in by reason of water competition, but where the competition might disappear you say they must have another reason than the disappearance of that water competition before they can

raise the rate.

A Yes. I wish to point out in that regard that is a direct copy, as paraphrased, from the forced section relief part of the Interstate Commerce Commission Act.

Q What is the reason behind that?

A For example, let us say the railway put in a rate to meet competition. They cut their rate down, and then afterwards the shippers say, "all right, we will ship by the railway." Then after a bit the lines lose the business, perhaps because of greater expedition by the railway, and the water lines go out of business, withdraw. Then the railway say, "now the competition is no longer here we can just raise our rates again." Probably you cannot go back to the steamship line. What will we do about this? They have left us in the lurch before, and so on. I think that is a measure of protection against conditions of that kind developing.

COMMISSIONER ANGUS: Q. Would the railways' need for revenue be considered a justification?

A What is that question?

Q Would the railways' need for revenue be considered a justification?

A A justification?

Q A justification of conditions other than the elimination of water competition.

A Oh yes, That is one of the things that they have in mind in connection with the United States. This means they will get that much revenue that otherwise they would not get.

MR. COVERT: Q. Do you think that there would be many competitive rates put in by the railways

if they were going to be stuck with them forever, even after the competition disappeared.

MR. O'DONNELL: The minute there is no competition they are discriminatory.

THE WITNESS: They would have to go before the Board and indicate their situation. Perhaps they can justify it on other grounds other than water competition. It might be increased revenue. For example, take the increase in rates on the Pacific coast a year or two ago from various coast points on the Pacific coast. Of course water lines were involved, but there was an increase in freight rates there on the rail line, and that was probably - I am not saying for certain because I will have to check on the details; there is so much of these things to keep in touch with daily - undoubtedly there might have been other conditions and factors involved such as Commissioner Angus points out, probably the increased need of revenue for the carriers.

MR. COVERT: Q. Then you would not go so far as to say that the elimination of the water competition might be a sufficient ground to enable them to raise the rates?

A Oh yes, it might be. For example, if the rate between X and Y was definitely put in to meet water competition, and the competition was removed, then they might say, "well, we will raise these rates." That is what they do at the present time. I do not know whether I understood your question correctly.

Q I wanted to make sure that the railway could still be left in the position that they might be able

to raise rates if the competition had bona fide disappeared, the water competition.

A On other grounds.

Q They must have some other grounds?

A That is what the situation is in the United States.

THE CHAIRMAN: Q. And that is the situation which you want in Canada?

A Yes.

Page 3916 follows

Q. On page 123, at (d), you say:

"In the event of any declaration of national policy on transportation in Canada the provisos pertaining to the encouragement of Canadian traffic via Canadian ports as contained in various statutes be incorporated in any such declaration."

Now, first of all, I would like to know if it is your suggestion that this should be included in the Railway Act as one of the considerations which the Board should always have in mind when making or fixing rates?

A. Well, under the National Transportation Act of the United States it was changed. They had a statement of national policy there as, more or less, a recital, towards the end.

Q. That would be section 1, I suppose?

A. Yes. I take it that there might be a finding in connection with national policy emanating from this Commission. It might be something like the preamble emanating from the Duncan Commission.

THE CHAIRMAN: Q. This Commission can only recommend. Do not forget that. You are dealing primarily here with the B.T.C.

A. No, I am making a parallel with the Duncan Commission finding and with the preamble of the Maritime Freight Rates Act, vis-a-vis the finding.

Q. All these Acts have a preamble, then?

A. Assuming there is a finding from this Commission on the question of national policy, and that it might be incorporated as a section or amendment in the Railway Act -- that is purely assumption; I am leaning on using a parallel to the Maritime Freight Rates Act, vis-a-vis the preamble.

Q. That is one which should not be lost sight of.

A. That is right, and I quote the different references.

MR. O'DONNELL: Q. You made the same reference to the Sirois Commission, a reference of the same type?

A. I forget that particular one, Mr. Chairman.

MR. COVERT: Q. What I thought you were leading up to was, for instance, take the development of trade through Canadian ports, and that should be put in as part of the Act; then the Act should be administered ---

A. What I had in mind -- it would be really a part of the Act in connection with national policy, a statement of national policy; and if that were incorporated -- if it was not incorporated, it should be part of the Act.

THE CHAIRMAN: Have you finished with page 123?

MR. COVERT: No, Mr. Chairman. I am dealing with the same point.

THE CHAIRMAN: You may proceed, then.

MR. COVERT: Q. I thought you had in mind something like what was in the I.C.C. Act, which starts out with a stated policy:

"It is hereby declared to be national transportation policy of Congress to provide. . ."
and so on. And then, at the end they say:

" . . . and all the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy?"

A. That is what I had in mind, something which would be stipulated right in the Act.

Q. Now, also, at page 123, you say:

". . .any rigid formula or rule of rate making for the determination of rates in general revenue cases. The powers of the Board of Transport Commissioners should be sufficiently broad and flexible to enable it to determine and prescribe just and reasonable rates, keeping in mind all factors pertinent to the development of Canada as a whole, including the effects of rate adjustments on the movement of traffic, the lowest cost consistent with the furnishing of an efficient transportation service, obligations inherent in the construction of the Intercolonial Railway, the difficulties incidental to manipulating a rate level to attempt to secure carriers prosperity when economic conditions, regional or national, and the existence of alternative transportation agencies make an equitable imposition of high rates impossible."

And again:

". . . and the importance of maintaining low rates in the 'strip economy' of Canada on long distance traffic, particularly in the case of basic and primary commodities including foodstuffs."

Now, again, it struck me here as if you were really getting into an economic planning board' in the real and true sense of the word. You say that the powers of the B.T.C. should be sufficient to enable it to determine and prescribe; and one question I would like to ask you there is whether or not that would prevent full equalization of freight rates in Canada?

A. I would like to give a little thought to your question, if you don't mind.

Q. I quoted you, starting on page 123, to the effect that the powers of the Board of Transport Commissioners should be sufficiently broad and flexible; and I took you right down to the end of the page. Now, I ask you first if that would not make it an economic planning board in the true sense of the word, or the full sense of the word; and also whether or not this would not prevent any question of equalization of freight rates in Canada? You could not have equalization?

A. You mean, would this not prevent equalization of freight rates -- not the question of equalization of freight rates?

Q. Yes.

A. Would it be permissive if I give some thought to that question?

COMMISSIONER INNIS: Q. I was wondering about the economic planning. Do I infer that you believe that the Board of Transport Commissioners is not a planning body?

A. The unfortunate part about this word "planning" is that it is taken to have so many different meanings.

Q. It would be possible to say that the Board could not make any decision without, in a sense, being a planning body?

A. It really involves a certain amount of planning in connection with their investigations.

Q. But is there a difference between unplanned planning and planned planning?

A. That is what might confuse me; this word "economic planning", and "controlled planning"; they are bandied around so that sometimes when you are talking about

planning, you are confused with being somebody else.

Q. With being somebody who does not agree with you?

A. Yes.

THE CHAIRMAN: Are you finsshed with page 123, Mr. Covert?

MR. COVERT: Yes.

THE CHAIRMAN: Then, before we proceed to the other Parts, "The Capital Structure of the Canadian National Railways", and so on, we will adjourn. We shall have the advantage of Mr. Matheson's presence in Fredericton. You must be pretty tired now?

THE WITNESS: Are we sitting here tomorrow?

THE CHAIRMAN: No.

THE WITNESS: I see.

---At 5.30 p.m. the Commission adjourned to meet again on Monday, July 18, at Fredericton, N.B.

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUL 18 1949

VOLUME

21

521161
23. 4. 51



Presented to
The Library
of the
University of Toronto
by

Professor H.A. Innis

THE ROYAL COMMISSION ON TRANSPORTATION

Index Page #37
Page

MR. PAUL BARRY: Presented brief on behalf of the province of New Brunswick - - - - -	3921
Preliminary remarks - - - - -	3921
Recommendations - - - - -	3926

EXHIBIT No.50: Brief of the government of the province of New Brunswick - - - - -	3929
Main brief - - - - -	3930
General geographic considerations - - - - -	3930
Recommendations - - - - -	3934
Economy of New Brunswick - - - - -	3935
Canadian ports - - - - -	3940
High Freight rates and the N.B.consumer - - - - -	3941
Forest industries and high freight rates - - - - -	3947
Pulpwood - - - - -	3948
Long lumber - - - - -	3949
Coal production - - - - -	3953
Description of field - - - - -	3953
Place in economic life of N.B. - - - - -	3954
Basic difficulties - - - - -	3954
Remedies - - - - -	3957
Regrouping - - - - -	3957
Better Canadian National connections - - - - -	3959
Potatoes and Freight - - - - -	3965
General - - - - -	3965
Potatoes as freight - - - - -	3966
Potato growing - - - - -	3966
Markets - - - - -	3967
Impact of increased freight rates - - - - -	3970
High freight rates and the N.B.manu- facturers - - - - -	3975
Trans Canada highway - - - - -	3978
Railway Crossing elimination - - - - -	3979
Chignecto Canal - - - - -	3981
Summary - - - - -	3982

R. J. LOVE - Called. Examined by Mr. Barry - - - - -	3983
Examined by Mr. Covert - - - - -	3983
(Re brief of province of New Brunswick)	

NOON ADJOURNMENT - - - - -	4073
----------------------------	------

R. G. Love recalled. Examination continued by Mr. Covert - - - - -	4073
--	------

A. F. BLAKE: - Saint John Board of Trade - intro- ductory remarks re brief on Chignecto Canal	4098
--	------

FREDERICK C. MORTIMER - Called. Presented brief on behalf of Saint John Board of Trade - - - - -	4099
Examined by Mr. Covert - - - - -	4104
Cross examination by Mr. O'Donnell - - - - -	4115

EXHIBIT No.51: Map showing C.N. and C.P. Lines, etc. in the Maritimes - - - - -	4121
--	------

Cross examined by Mr. Frawley - - - - -	4122
---	------

	Page
<u>R. J. LOVE- Recalled</u> Cross examined by Mr. Barry	4122
Cross examined by Mr. Shepard - - - - -	4124
Cross examined by Mr. MacPherson Jr. - - -	4125
Cross examined by Mr. Frawley - - - - -	4126
Cross examined by Mr. Spence - - - - -	4137
ADJOURNMENT - - - - -	4154

- - - - -

ROYAL COMMISSION ON TRANSPORTATION

Fredericton, New Brunswick
Monday, July 18th, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. Chairman

HAROLD ADAMS INNIS Commissioner

HENRY FORBES ANGUS Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

MR. COVERT: Mr. Chairman and members of the Commission, the first submission on the agenda this morning is that of the province of New Brunswick, represented by Mr. J. Paul Barry.

MR. BARRY: Mr. Chairman and gentlemen: I have some preliminary remarks before discussing the brief. I wish to express the sincere appreciation of the province and the gratitude with which we appear before you today, on behalf of this province and its government. During your stay here the Commission and other members of the staff will be officially welcomed by our Premier, Mr. McNair, and other members of his government. The extreme interest and concern of the Premier and his government in the subject of your deliberations goes without saying, and justly so, as transportation is one of the most important factors in the economic life of the citizens of this province, whether they be farmers or miners, rich or poor, producer or labourer, consumer or manufacturer.

You already have before you the submission of the government of this province, and it is not my intention to read it in detail to you. You have already familiarized yourselves with its contents, and from it you will see that we are particularly concerned with the subject of freight rates, and it is interesting to note that the Rowell-Sirois Commission of some years ago recommended just such a Commission as we now have. Even then, and as probably ever will be, transportation was a contentious subject.

We respectfully submit, and I do not think the railways deny, that public utilities, especially those which so deeply affect the lives of our people, require

regulation and control. Practically all monopolies do require control. We do not ask for control for control's sake, as is pointed out in the brief, but for the sake of the individual who in the end, as always, pays the bill. We are not asking the railways to give us anything. Neither are we asking for charity. We simply ask that the rights and privileges given to the railways be used in such a manner that the interests of all the people should be protected, and that the policies made to govern the railways should meet the economic requirements of the nation as a whole and attain its maximum economic development.

It is noted that some of the people and corporations concerned in this hearing oppose the principle of subsidies. We do not normally prefer them ourselves, but we have them all about us in one form or another, and they are often a necessary and useful instrument of government. It may well be that the only method by which justice can be done to certain sections of our economy is by subsidizing certain operations of the railways. If so, and in order that the railway companies should not be penalized, then subsidies should be used. It is not a question of what we like or dislike personally. It is a question of just what is the best method by which the transportation companies may be made to serve the interests of all of the people without hardship on the companies themselves in a financial way.

I would not wish this Commission, or the representatives of the railways to get the impression that we are asking them to give us anything. That we do not ask for. Our brief is clear on that point. We have clearly

stated we are not opposed to a fair return on prudently invested capital, but we also say that the railways should be used for the common good in an equitable manner, and as instruments of basic national policy in so far as such use can be made, and if subsidies are necessary to attain that end then they should be recommended. We therefore do not consider this matter in a litigious light, but rather in a spirit of co-operation, that co-operation of all men of good will, with the common purpose of using what we have to accomplish in a just manner an equitable distribution of goods.

You have already seen, Mr. Chairman and gentlemen, as our brief submits, that we must market our primary products at a fair return, and we must be able to purchase at fair comparative prices. As the Rowell-Sirois report has pointed out, and as is quoted in the appendices to our brief, the economy of this province for its cash income depends upon the ability of the producers to export their materials, and obtain a fair return for them. That is the most important single factor in our economy. It is the effect of freight rates upon that ability to export to competitive markets with which we concern ourselves. We fully realize that we cannot correct all inequalities, but we can ease the burden and not accentuate it.

As far as are concerned in this province the across the board method of granting increases is the worse method for us. We absorb those increases as we sell competitive products and buy non-competitive products.

The preliminary brief already submitted to you

presents our case in broad outline. The latest submission is somewhat more detailed. We have witnesses here to present additional facts and to confirm those already stated. If the Commission and other counsel accept certain of our statements then certain witnesses may not be necessary. If they do not witnesses will be called to answer any questions which may be asked of them by Commission counsel, by the Commission, or by the representatives of the other parties concerned.

It is not possible, when discussing transportation and its effect on the Maritime economy, to overlook the Chignecto Canal. The government of the province of New Brunswick wishes to lend its support to all submissions which will lead to the proper investigation of its merits, and the construction of it. We submit that its construction alone, not theoretical projections, will prove its worth in the Maritime economy. Particularly so now is that the case where Newfoundland is a Maritime province and very much concerned with cheap water transportation. A glance at the map will show the advantage of its construction. The only question which now arises is its feasibility, and many commissions have already stated that it was feasible.

The government of this province in making its recommendations in this matter is naturally particularly interested in the welfare of the people of the province, but it also should be clearly stated that we are not in the least unmindful of the interests of the nation as a whole. A strong united nation requires the prosperity of all parts, thereby requiring an equitable distribution

of resources. In proportion as we have opportunities to assist and assets to contribute, we willingly do so. We ask that others do likewise. We do not ask more of others than we ourselves are willing to do.

To deal, Mr. Chairman and gentlemen, with specific cases, I would point out to you the graph attached to the brief showing the effect of the last increase on the people of the Maritime Provinces. I say people, including manufacturers as well as producers. The Commission will see from the Appendix that between 1927 and 1948, the so-called differential between Montreal and Saint John, or between places in the Maritimes shipping goods into the markets of Montreal and Toronto which markets, we say historically, later recognized legally, were intended for us, how our people are handicapped by that 21 per cent increase. I will call witnesses to establish in more detail the effect of it upon our people. Businesses predicated on the differential as it existed between 1927 and 1948, have been tremendously affected, and as many corporations - and I presume also the C.P.R. - rest with success or failure upon margins of less than 5 per cent, you can see the drastic effect on industry of the last rate increase. It is detailed under manufacturing in the brief, and a witness will testify to it. What is true of that company is true in principle of any other large manufacturing concern. The company referred to competes with a central Canadian company, and in the first instance realized that it would have to absorb a higher rate than its competitor, but did not expect this tremendous increase of the last year which has changed their competitive position completely.

The potato industry is similarly affected. The price on potatoes is normally fixed at the market and not by the seller, and the rate was absorbed resulting in a lower net return. That is one of the articles, as was pointed in the Rowell-Sirois report, upon which we depended for our cash income. At the same time the farmer who produced the potatoes, paid more freight on his equipment. We do not claim particularly that the freight charge was too high considering the service rendered, but we say that such a system penalizes us. We do not subscribe to the cost of service basis as has been suggested.

Our recommendations, as set forth in the brief, are clear. The amendments which we propose will assist us both as producers and consumers, and we fully realize there will still be some disadvantages.

We respectfully submit that we are entitled to the consideration asked for on the basis of the authorities cited in the Appendices, and that further, if our economy is to remain balanced at all, then such concessions should be granted.

Our recommendations, Mr. Chairman and gentlemen, are set forth at page 3. The page numbers are marked in the lower lefthand corners of the pages. Our recommendations are:

1. That the differential as it existed before the last rate increase be restored by adjusting the provisions of the Maritime Freight Rates Act 1927.

2. That such reductions as are made in the standard rates be made applicable over the complete haul, at least as far as Toronto from the point of origin, instead of

only within the "select area" as described in the Maritime Freight Rates Act.

3. That such reductions in the standard rates should be applicable on goods manufactured in central Canada and shipped into the Province of New Brunswick, especially on those goods which are tariff protected and where there is no competing industry in the Maritime Provinces.

That, Mr. Chairman and gentlemen, would be a substantial amendment to the Maritime Freight Rates Act, but it is the only method whereby the effect of drastic increases in freight rates may be eased in its burden upon both our producers and our consumers in particular. The details of the reasons for that are set out under "consumer" in later places in the brief.

4. That the difference between the normal rates and the reduced rates to be allowed should be paid by the Dominion Government from general revenues in order that the cost should be absorbed by the nation as a whole rather than as now, have the incidence of long haul increases penalize certain areas.

That is not a new principle; it is one which has long since been recognized.

5. That the Railway Act be amended to direct the Board of Transport Commissioners to consider economic, tariff and geographic factors in their decisions and to recognize prevailing world market conditions and that it be further amended to prohibit the granting of freight rate increases by the horizontal method.

It may be suggested that the Board has that authority, but we do not consider in the light of their

decisions that they take some of those factors into account, and we suggest they be instructed by legislation so to do.

6. That your Commission cause to be investigated again the feasibility of the construction of Chignecto Canal in the light of new conditions as a means of providing shorter and cheaper water transportation.

7. That national highway and national airport construction should be expanded.

8. That the railways be required to adhere to a definite policy designed to eliminate all level crossings within a reasonable period, with government assistance if necessary and that in the interval all crossings should be marked by electric signal devices. In addition provision should be made to correct inadequate overpasses and underpasses.

9. That the freight rate structure to Maritime ports should be so constructed that the differential between Montreal and Saint John be restored in order that Canadian goods should be shipped through Canadian ports.

Because of the co-ordination of freight rates between certain points in Canada and the United States compared to Montreal and American ports, and the fixing of rates in line with the American rates, the port of Saint John is put at a decided disadvantage in certain traffic.

There is another point which is not included in the recommendations. It deals with the Minto coal area. It is shown in a map included in the copies of the brief filed with the Commission. One or two witnesses

can speak in detail with respect to that.

If there are any general questions I should like to call as a witness Professor Love. We can call other witnesses with regard to certain specific cases.

MR. COVERT: Mr. Barry, I think perhaps we should either have this brief taken as read into the record, or in the alternative there are certain items, certain charts and maps attached to it --

MR. BARRY: I intended to do that later, but I will do it now .

MR. COVERT: I think this is the time.

THE CHAIRMAN: What is the point?

MR. COVERT: There are certain charts and maps and exhibits attached to the brief, and undoubtedly there will be references to them. It occurs to me that we might file the whole brief as an exhibit, and call it Exhibit 50, and then the main portion of it can be taken as read into the record.

MR. BARRY: I intended to ask for that later, but it is perfectly all right to do it now. I will obtain extra copies of the graphs and charts at noon.

THE CHAIRMAN: Is it just a matter of keeping trace of those?

MR. COVERT: That is right.

THE CHAIRMAN: That ought not to be difficult. They are right in the brief.

MR. COVERT: We will file the brief as Exhibit 50.

THE CHAIRMAN: What number?

MR. COVERT: Exhibit 50.

EXHIBIT NO. 50: Brief of the Government of the Province of New Brunswick.

(The following is the brief referred to above)

SUBMISSION OF THE GOVERNMENT OF THE PROVINCE OF
NEW BRUNSWICK

TO THE

ROYAL COMMISSION ON TRANSPORTATION

The Chairman and Members of the Commission:

The Government of the Province of New Brunswick respectfully submits that it has a case for presentation to your Commission, which is based on grounds which have been legally recognized with respect to railways in the past, and we further submit that recent changes in the freight rate structure have had the effect of defeating the efforts of parliament to recognize the rights involved.

GENERAL GEOGRAPHIC CONSIDERATIONS

Canada presents unusual and difficult transportation problems due to basic geographic conditions.

It is 3,655 miles from Halifax to Vancouver; ninety percent of our population is located within two hundred miles of the United States border; in this long narrow space the population is concentrated in areas; starting with the Vancouver area in British Columbia we move eastward over the great natural barrier of the western cordillera to the relatively scattered population of the prairies, then about one thousand miles from the eastern edge of the prairies to the centre of population in southern Ontario, eastward four hundred miles across the Frontenac axis to the lower Saint Lawrence valley; the Maritime Provinces are separated by a three hundred mile expanse of thinly settled bush country from the Saint Lawrence Valley and the centres of population in Central Canada. In a sense we have five areas separated by great distances and natural barriers and rough country; these may be likened to

a string of five widely spaced heads in contrast to the relatively compact economy of the United States with its network of communication systems running not only east and west, but north and south, and even diagonally as in the case of some of the big pipe lines.

In addition to the scattered nature of our populated regions the topography places obstacles between the various areas; the natural channels of communication run north and south rather than east and west.

We in the Maritimes face the sea; the Appalachian Highlands and rough forrested terrain separates us from the rest of Canada; our natural lines of communication are with the New England States and South and Central America. New York is only 660 miles, one day's drive on the modern highways, from Fredericton.

Because of these features and because Canadian production is mainly for export or use far from the originating centres, cheap and efficient transportation is an absolute necessity to the building of our nation. We submit that a policy must be worked out, involving subsidies if necessary, to aid the flow of trade between the different areas. We in New Brunswick recognize the natural barriers, we are very conscious of the pull of our natural markets and points of supply, but we desire very strongly to build a Canadian nation. Cheap transportation is vital in building and developing a united Canada.

With respect to your Terms of Reference as set forth in P. C. 6033, the government of New Brunswick does not intend to make any submission under sub-section (c), (d), and (e) of Section 2, it being our opinion that the Commission,

through its own officials, is in a much better position to investigate the matters therein referred to than is the Government and we leave the matter of recommendations under those sections to your Commission, at the same time simply expressing an opinion that they are matters which deserve investigation by qualified persons. We sincerely believe that the Canadian National Railway has a capital structure which certainly should be revised.

We respectfully submit that the situation in the Maritime Provinces with respect to freight rates is substantially different than that prevailing in other provinces. We do not quarrel with the railways if they operate on a sound economic basis and obtain a fair return on prudently invested capital and we leave it to the staff of your Commission to investigate these matters. But we do submit that, due to the economy of New Brunswick and its position in the Dominion of Canada, the necessity of lower freight rates to the people of our province is an essential and that such necessity has always been recognized, both in public pronouncements and in legislation.

The necessity of low freight rates for New Brunswick is clearly indicated when we examine the per capita income of New Brunswick and compare it with that of Ontario and Quebec. Being further away from the market place and at the same time further away from the manufacturing centres, while at the same time having an economy which can least stand extra drains upon it, it is seen that any increased charge placed upon people here, directly or indirectly, further exaggerates the already great difference in per capita net income. The Rowell-Sirois Report, Dominion

Bureau of Statistic Releases and other available data establish the low comparative position of the New Brunswick economy.

It is the policy of the present government of Canada to level off our economy where such is possible. We submit that freight rate increases granted horizontally help defeat that policy. Long haul non-competitive freight rate charges seem to be one of the means by which a railway may now gain extra revenue, but in the case of this province, while we are in the position of having to use the railways on long hauls, we can least afford the increase.

It should be pointed out here that our submission concerns the Canadian National Railway Company particularly as it is by far the largest carrier in the Maritimes, but recommendations of your Commission which may subsidize the Canadian National, must of necessity, be made applicable to the Canadian Pacific in fairness to both. We also state that we are aware of the objection to subsidies from Dominion Government Revenues, but it must be remembered that tariffs are subsidies in effect and are paid by the consumer, so it makes very little difference just how the purpose is accomplished. It appears to us that once a protective policy is adopted and complete free trade is abandoned, then that protection should not penalize certain areas. If complete free trade existed, we would not make this point and in fact, we would not need to concern ourselves with it as some of our problems would have solved themselves. But such is not the case and complete free trade does not exist. It is impossible to control by law one section of our economy without considering the effect of such control upon other sections of our economy and making such adjustments as are necessary. The

present tariff and transportation policies combine to our disadvantage.

RECOMMENDATIONS.

We respectfully ask your Commission to recommend:

1. That the differential as it existed before the last rate increase be restored by adjusting the provisions of the Maritime Freight Rates Act 1927.
2. That such reductions as are made in the standard rates be made applicable over the complete haul, at least as far as Toronto from the point of origin, instead of only within the "select area" as described in the Maritime Freight Rates Act. (See Appendix 1.)
3. That such reductions in the standard rates should be applicable on goods manufactured in Central Canada and shipped into the Province of New Brunswick, especially on those goods which are tariff protected and where there is no competing industry in the Maritime Provinces.
4. That the difference between the normal rates and the reduced rates to be allowed should be paid by the Dominion Government from General Revenues in order that the cost should be absorbed by the nation as a whole rather than as now, have the incidence of long-haul increases penalize certain areas.
5. That the Railway Act be amended to direct the Board of Transport Commissioners to consider economic, tariff and geographic factors in their decisions and to recognize prevailing world market conditions and that it be further amended to prohibit the granting of freight rate increases by the horizontal method.
6. That your Commission cause to be investigated again

the feasibility of the construction of Chignecto Canal in the light of new conditions as a means of providing shorter and cheaper water transportation.

7. That National Highway and National Airport construction should be expanded.

8. That the railways be required to adhere to a definite policy designed to eliminate all level crossings within a reasonable period, with government assistance if necessary and that in the interval all crossings should be marked by electric signal devices. In addition provision should be made to correct inadequate overpasses and underpasses.

9. That the freight rate structure to Maritime Ports should be so constructed that the differential between Montreal and Saint John be restored in order that Canadian goods should be shipped through Canadian ports.

ECONOMY OF NEW BRUNSWICK

Since Confederation in 1867, the whole comparative position of the Maritime Provinces has changed. It is not suggested by any means that transportation has caused all of such changes, but it is submitted that such should not be worsened and that it is not in the best interests of this nation that any portion of it should be substantially more depressed than another section. The worst fears of persons opposed to Confederation at times appear to have been realized but safeguards promised at the time and often put into effect have not always accomplished their purpose and the railways, with their practical monopoly, are a means whereby a "levelling-off" can be accomplished. We are all Canadians, and we are all neighbours, and it is only

fair that advantages and disadvantages be shared. It does not make for unity that one part of this country feels that it contributes more than it receives.

It is not the desire of the government in this presentation to present again all of those arguments which have been previously advanced concerning our position within Confederation and we intend only to refer to those findings which have already been made by competent authorities after the hearing and consideration of evidence presented to them, especially with respect to trade. If our nation is to be a united one, a national transportation policy, co-ordinated with other policies must be put into effect.

We refer the Commission to the reports of the Commission on Maritime Claims 1926; Royal Commission on Transportation 1932; Royal Commission Provincial Economic Enquiry (N.S.) 1934; and the submission of the Government of Nova Scotia to Royal Commission on Maritime Disabilities within Confederation 1926 - the pertinent sections of the Rowell-Sirois Report; as well as the latest release of the Dominion Bureau of Statistics, "The Maritime Provinces in their relation to the National Economy of Canada."

For the convenience of the Commission we quote extracts therefrom in the Appendix hereto. (See Appendix 2 et seq.)

We submit that if the railway on account of high freight rates, does not accomplish its purpose, then the rates should be lowered.

It must be admitted that the building of the Inter-colonial Railway was deemed so important by Maritime

people that in 1865, Confederation was defeated in New Brunswick because the building of it was not settled. The engagement to build it for the purposes stated was, according to Governor Gordon of New Brunswick as recorded in the Journals of the New Brunswick Assembly, "of a solemn character, approaching as nearly in its nature to a Treaty as the political conditions of these provinces permit". It has been and always has been realized that new and cheap facilities would have to be build and maintained if the trade of New Brunswick was to move east instead of south.

Attention is drawn to the following quotation cited from the Canaian Historical Review on Railways and Confederation in New Brunswick, p. 374 quoted in Appendix 4 hereto.

The economy of New Brunswick depends on the prosperity of primary producers first and manufacturing second. We must sell our lumber, coal, fish, pulp and potatoes or become bankrupt. Our manufacturers, naturally, must have access to markets as well. It is our intention, of course, to deal with some of these cases specifically, but our economy has a standard of living next to the lowest in Canada and if we do not, as a small province, have at least an equal opportunity to sell on fair terms in the Upper Canadian market, our economy will be further depressed comparatively. In many instances, the same primary products, which we produce, are produced nearer the market place so we must sell in a competitive market and absorb the freight rate.

On the other hand, we buy in a protected market and pay the higher price including increase in price caused

by tariff protection as well as increased freight rates.

Thus any reduction in the net receipts of the primary producer is a drain upon us and any tariff is a further drain. Add to these charges the freight bill on a heavy manufactured article which we must bring from Ontario and the Commission will see that all three contribute to maintain us in an inferior position economically.

In today's markets other factors enter as well. We are normally part of the Atlantic Community and we normally ship much of our primary produce overseas. Our lumber, fish, agricultural and manufactured products have in the past found a European market, at least in part, but today, due to foreign exchange conditions and other factors, those markets are practically lost. For instance, lumber purchases for United Kingdom markets in 1949 will be less than one-third of normal for the last few years.

The position of New Brunswick is not comparable to that of any province outside of the Maritimes. Other provinces either produce non-competitive products or manufactured goods whereas we, broadly speaking, are dependent upon primary production, and as has already been pointed out, competitive primary products in most cases.

As submitted in the Preliminary Brief, and reiterated here, it is our respectful submission that railways must not be judged on a commercial basis alone but must be treated as instruments of a basic national policy to be used for the public good, the said national policy being designed to co-ordinate all branches of government with the purpose of avoiding the placing of an unfair burden upon any one section of the economy.

We submit that the recommendations made by this

province, while we know and realize that they will not be a panacea for all of our transportation ills, will at least minimize the burden placed upon our people and while a disproportionate share of the load will still be present, its impact upon our economy will be lessened. Today, as never before, we need markets in which to sell our primary produce at a reasonable price and that market is in Ontario and Quebec in part at least. It must be made available to us on economic terms.

Abundant resources without adequate economic transportation to make them available are of little use.
(See Appen.7)

The original justification of the tariff was that producers prices of exports had been increased and consumers prices of imports decreased because of government expenses on transportation. That is not true today.

The gross production per capita of the Maritime provinces of 1945 was \$533 and in all Canada it was \$963 per capita. The figures supplied by the Dominion Bureau of Statistics in 1948 indicate that approximately 7% of the total agricultural income of Canada was received by the Maritime provinces and the other statistics indicate that over the past quarter century the per capita income in the Maritime Provinces has been considerably lower than in the other regional economies, varying from between 64 and 78% of the Dominion average. These figures are both reflected in and confirmed by statistics on the luxuries and household necessities owned by the people of the Maritime provinces, and in both New Brunswick and Prince Edward Island.

It may appear to the Commission that these figures are not representative of the true conditions but they

certainly indicate that the Maritime economy is less buoyant and can therefore stand less strain upon it without having a very adverse effect.

While statistics are not available to establish the fact, it is probably true that the Maritime provinces, in proportion to their population use the railways for long hauls more often than most other sections of the Dominion and especially for long-hauls on imported goods, the freight on which is passed on to the consumer in most cases. It is probably true, however, that the Maritime Provinces are not great users of the railways for long-haul purposes on export goods, because much of the export business of the Maritime provinces has been to overseas and American markets, but under today's conditions of world trade, it seems fair to assume that the Maritime Provinces will be required to use the railways for export purposes to a great degree in order to obtain access to the central Canadian market.

CANADIAN PORTS

We draw to the attention of the Commission that the present system of rate-making to American and Canadian ports, co-ordinated as it is, has tended to greatly increase the differential between Saint John and Montreal and in some cases, the increase has been up to 20 cents per 100 lbs. This has had a detrimental effect on Saint John port activity in competing with United States Eastern Ports. (See Submission of Maritime Transportation Commission volume 1 page 94 et seq.)

HIGH FREIGHT RATES AND THE NEW BRUNSWICK CONSUMER

To relieve us of part of the burden of transportation costs which adversely affect our economy it is submitted that the principle of the Maritime Freight Act should apply on goods moving into New Brunswick from points west for use here as well as on our goods moving into central and western Canada.

So many factors are involved in arriving at prices on consumer commodities that it becomes virtually impossible to attribute price differentials between different areas or localities to any specific factor. However, it is generally recognized that transportation charges are an important factor in costs and must be covered in arriving at a final price if business is to be carried on profitably; it thus follows that an increase in transportation charges will be reflected in higher prices to the consumer although it is true that under certain market conditions the producer may have to absorb the increase; when this happens marginal producers may be forced from their markets and put out of business. Generally it may be said that consumers bear the increase when there is no local supply, and producers when there is a local supply in the market in which they are selling.

We in New Brunswick are forced to buy much of our goods, particularly manufactured articles and heavy equipment, from Ontario and Quebec where the heavy industries tend to locate. Our alternative sources of supply are barred to us by tariff restrictions, lack of currency or other barriers; smallness of the market because of our limited population and our relative lack of wealth prohibit the establishment of expensive plants dependent on

large scale production and large markets. We are thus forced to bring in much of our consumer goods and to pay transportation charges since lack of a local or other alternative supply enables shippers to transfer transportation costs in full. It is because of this that as consumers we are so concerned with the increase in transportation costs. To relieve us of this disability our sources of supply must be extended or the transportation costs involved in getting our goods from the protected Canadian source kept at a minimum and, if necessary, absorbed by the whole Canadian economy by government subsidy or other aid to our carriers.

It is generally recognized that prices for many commodities are higher in New Brunswick than in Central Canada. It is not claimed that the unfavourable differential is always due to transportation costs but in many cases the cost of transportation is added to the f.o.b. price to fix a retail price set by the manufacturer. This results in a higher delivered price to the New Brunswick consumer than to the consumer nearer the manufacturing point. Examples of this follow.

The transportation charges on a standard automobile from the Ontario factory to New Brunswick is \$50.00; on a large truck it goes up to \$73.00. This charge is included in the delivered price and is usually paid by the manufacturer and included in the delivered price to the distributor who, of course, passes it to the final purchaser. The delivery charge by truck-trailer or drive-away to a central Canadian point is approximately \$12.00. The price differential due to freight charges on a standard automobile between New Brunswick and Ontario is

between \$30.00 and \$40.00. Even for a single purchase this is a considerable amount and for the three thousand passenger cars and one thousand trucks (the estimated number of new vehicles sold in New Brunswick in a normal year) amounts to a considerable sum.

We find it difficult to follow any argument which maintains that we must buy in a protected market at a much higher price than in the alternative source of supply in the United States and in addition be compelled to pay \$40.00 more per unit than the consumer living in the area of supply. Either the freight charge should be distributed to all consumers or our alternative source of supply opened to us.

As primary producers we are concerned with the price of the equipment we must use. Every increase in this raises our cost of production and handicaps us in getting our goods priced low enough to compete both in central Canadian and world markets. Delivered prices on farm machinery illustrate this disadvantage. Our farmers pay the freight; it is added in setting the retail delivered price.

Freight Charge delivered at:

<u>Machine</u>	<u>Toronto</u>	<u>Brantford</u>	<u>Woodstock</u> <u>Ontario</u>	<u>Woodstock</u> <u>N.B.</u>	<u>Increase</u> <u>due to</u> <u>21% award</u>
Pony Tractor (800 in Fredericton)	nil	nil	nil	\$21.37	\$3.67
No.30 Tractor (\$1740 in Fredericton)	nil	nil	\$28.75	65.94	11.40
No.33 Mower (\$195 in Fredericton)	nil	nil	nil	8.60	1.50
No.10 Spreader (\$249 in Fredericton)	nil	nil	nil	11.80	2.05

Places named are distributory points and additional changes are made to move them from points named to customers in the zone concerned. The point we wish to make is that the New Brunswick farmer must pay more for his machinery because of the freight charges than a farmer located near the factory. The items shown were chosen at random. It is submitted that the amounts are significant and illustrate a handicap our farmer must meet in keeping down their costs and in competing with the centrally located farmer.

Other examples similar to those used can be cited. Heavy equipment of all kinds such as power units and earth moving equipment is sold here with the freight charge added. For example the freight charge on a 100 horsepower W.D. 18 power unit from Toronto to Fredericton is \$62.80. This is paid by the user and is added to the quoted price. Similarly the delivered prices of many articles of common use are higher here than in central Canada and much higher than in the United States.

Prices of consumer goods, examples selected at random, illustrate this contention. A model MJ-7 Frigidaire electric refrigerator delivered to the customer sells in Fredericton for \$343.00, in Toronto for \$339.00 and in Houlton, Maine, U.S.A., for \$219.75. A model RK 20 Frigidaire electric stove sells, delivered to the customer, in Fredericton for \$33.00, in Toronto for \$329.00 and in Houlton, Maine, U.S.A. for \$219.75. Automobiles cost about one third more in Canada than in the United States and it is not the difference in taxes which causes the spread. A four-door

de-luxe Chevrolet Sedan retails in Fredericton for \$2021.00; a similar car retails in Houlton, Maine, for \$1769.00 and is equipped with over \$100.00 worth of extra such as air conditioning, seat covers and oil cleaner not included in the Canadian price. Similar examples can be quoted on bicycles, electrical appliances and all lines of goods particularly those protected by an import duty.

Prices in New Brunswick on consumer goods imported from central Canada are higher by the amount of the transportation costs than are prices of similar goods in central Canada. This has been demonstrated and in any event is a generally accepted condition. Thus while as consumers we pay transportation charges, as producers of primary products we very often have to absorb the transportation costs, since we sell in a market where there is a local supply; this is particularly true for our agricultural producers (See the case for potatoes). We are, therefore, affected both as consumers and producers by transportation costs, which perhaps explains in some degree our concern with transportation policies.

A point we wish to stress is that the general trade policy of Canada makes possible such price spreads between New Brunswick and the State of Maine as have been indicated. We in New Brunswick gain no direct benefit from industries located in central Canada and look with some envy on the much lower prices prevailing on manufactured goods across the international boundary; the sacrifice is plain, the benefit vague and doubtful. We are pointing out a condition known to all citizens;

we are **not** specially condemning it but we contend very strongly that disabilities of this nature must be kept at a minimum and national policies so shaped as to eliminate spreads of this nature. Any national transportation policy adopted, to be truly national, must have this condition as a basic consideration; we submit that transportation for good or ill, is a key instrument in developing and maintaining national unity, and it must be related to economic, political and geographic considerations. We are as anxious as any, perhaps more so, to maintain national unity and to develop a strong Canada, but we submit that national policies must be shaped with consideration for all of Canada and not just a part of it; and that everything possible be done to even up the economies of all parts. Transportation is one of the most effective instruments available for this.

It is on this basis that we make our claim for extension of the principle of the Maritime Freight Rates Act to apply on traffic moving from eastward in Canada destined for us in New Brunswick, particularly on goods made in Canada under a high tariff wall and of a type and kind not made in the Maritimes where manufacturing industries using mass production methods have not and are not likely to develop. We submit that the New Brunswick consumer of both ordinary consumer commodities and of producer goods must be considered. We believe that any loss to an industry operating in New Brunswick for the local market under the protection of high freight rates will be more than compensated for by cheaper prices to consumers and

by lower manufacturing costs to all concerned through cheaper access to necessary equipment and supplies.

Our case is based on our desire to distribute the gains of our national policies to all areas. We do not like subsidies whether direct or indirect, but they are part and parcel of our whole economic and political framework and we have no alternative suggestion other than the freeing of trade barriers, an action which seems unlikely but which we feel would solve many of our problems of buying and selling.

We also point out that this whole argument illustrates how transportation policies are bound up with political considerations. Economic, geographic and political factors must be considered in framing any national transportation policy; to do otherwise would be to invite the breaking up of our confederation.

THE FOREST INDUSTRIES AND HIGH FREIGHT RATES

The forest industries form the backbone of the New Brunswick economy. In the 112th annual report of the Department of Lands and Mines for New Brunswick the gross value of our forest products for the 1948 fiscal year is estimated at \$124,000,000 distributed as follows:

Products of pulp and paper mills	\$72,000,000
Products of sawmills and woodworking plants	23,000,000
Pulpwood, pit props, ties, poles, etc.	21,000,000
Fuelwood	<u>8,000,000</u>
Total	\$124,000,000

These industries provide almost onehalf of the gross production of the province and the welfare of many of our citizens is bound up with their prosperity.

While pulp and paper production has gained first place within the group, the value of our other forest products is not negligible and since their production is scattered throughout the province it has a very direct effect on our economic well-being.

Transportation costs, of course, affect all production, but the use of trucks, the relatively short hauls to points of export by water and the location of many of our pulp and paper mills on seaboard help to minimize the effect of rate increases on this industry. Their costs are, however, affected particularly in the increased cost of obtaining part of their pulpwood and fuel.

Pulpwood

In 1948 about 770,000 cords of pulpwood were shipped to points outside the province. Of this 570,000 cords were exported through New Brunswick ports, 40,000 cords through ports in Quebec and 160,000 cords were shipped to points in Quebec and Ontario for processing. The quantity of pitprops exported was approximately 220,000 cords. While pitprops move overseas, most of our pulpwood not used locally moved to United States points, much of it by rail.

A cord of pulpwood weighs about 4,000 lbs. Rates of course vary according to the length of the haul but the freight charge on a cord runs up to \$9.60, the present cost to ship from central New Brunswick to Quebec. The current price of pulpwood at the siding is \$12.00 per cord. When transportation charges amount to 80% of the value of the product to the producer it can be recognized readily that their

increase, coupled as it now is, with a declining market, is a serious matter to the producers and shippers in the province. The last increase in rates restricted the border area from which it is possible to ship. Operators are planning to use trucks to move pulpwood from western New Brunswick to mills in Maine and shipments from eastern New Brunswick to Oswego are now moving by water. The railways are pricing themselves out of business.

Attention is also drawn to the extension of United States rates to the Canadian end of export hauls. Consideration ought to be given to the effect of this on particular industries before our roads are allowed to take advantage of it. This is particularly true of pulpwood. The operation of competitive rates often makes it necessary for shippers to haul wood past non-competitive points to a competitive point and, in some instances, the railway hauls this wood back past the station at which it could have been loaded more economically. This surely is uneconomical for all concerned; adjustments of the rate structure to prevent this type of waste ought to be made. (Rates from Hardwood Ridge and Chipman are cases in point.)

Long Lumber

The long lumber business is affected by transportation charges and, with the increasing importance of the domestic market, producers are tending to become more concerned with freight rates particularly when, as is now the case, increased transportation costs cannot be passed to the consumer.

For 1948 our long lumber production is

estimated at 215,000,000 f.b.m. Historically the outlets for our lumber have been in the United States and in the United Kingdom. It is difficult to obtain accurate figures on the amount of our cut sold in Canada, but the Toronto market is important for our white pine and the Montreal market for our low grade lumber. In these markets competition from the local producer and on high grade lumber from the British Columbia producer must be met. Transportation costs definitely limit the distance westward we can ship. A hardwood producer states that he was unable to ship his low end hardwood into Montreal because of the increase in delivered cost caused by the 21% increase.

It is estimated that of our cut for 1948 of 215 M f.b.m., 146 M was exported, the United Kingdom and the United States taking most of it; about 69 M was consumed locally or shipped to central Canada. No record of the amount consumed in New Brunswick is available, but we are safe in assuming that 40 M feet were sold in the central Canadian market.

As is well known, the export market is becoming increasingly uncertain. We cannot depend on our traditional outlet in the United Kingdom; our share of the 130 M to be purchased from Eastern Canada by the United Kingdom for 1949 has stabilized the industry somewhat for this year but the manner of its arrangement indicates how unstable the export market is. Efforts to dispose of our product in the world markets are becoming increasingly difficult; we are becoming more and more dependent on the domestic market. It is obvious that we cannot use our normal production here in New Brunswick, and, as world markets become more

restricted and difficult to get into, the domestic market assumes greater importance. Thus, although the central Canadian market has not been of primary importance, it appears that if the lumber industry is to achieve any stability this market must be expanded.

During the war and in the immediate postwar period all shipments were made f.o.b. Now with the supply and demand situation more in equilibrium marketing has become increasingly difficult, our shippers are being told point blank that they must quote delivered prices; transportation costs are being passed back to the producer who must absorb them to make his sale in competition with the local producers who have the market "on their doorstep". Freight rates are naturally a concern of our lumbermen. Every increase in transportation costs means just that much less a return on his product. With the central Canadian market becoming increasingly important, everything possible must be done to enable our producers to market their product in that area. Increases in transportation costs, affecting us more severely than they do the local producers, can result in complete loss of this market, precarious at best, just when it is most needed. The differential existing before the recent 21% increase has been upset. For example, a rate of 15¢ from an Ontario point to Toronto was raised to 18¢, while a rate from New Brunswick of 30¢ was raised to 36¢, the differential of 15¢ was raised to 18¢.

Figures on costs of production vary greatly and are difficult to get on the numerous varieties and grades of hard and soft woods; it is thus impossible to

set up actual typical cases, but we are certain that it will take very little to upset any market now existing, resulting in cut backs in production and severe injury to our economy. These facts must not be ignored in deciding any national transportation policy and lend strength to our claim that differentials must be restored to the 1912 and 1927 level, that the Maritime Freight Rates Act be extended to freight moving west of Diamond Junction and Levis.

BRIEF FOR ROYAL COMMISSION ON TRANSPORTATION
COVERING NEW BRUNSWICK COAL PRODUCTION

A. GENERAL

1. Description of field
 2. Value and place in economy of N.B.
 - B. Basic Difficulties
 - C. Suggested remedies
 1. Regrouping
 2. Branch Line
-

The Grand Lake Coal Basin, including the Minto-Chipman coal field, lies within the counties of Sunbury and Queens. There is one seam which varies in thickness between 16 and 30 inches, and generally speaking is flat-lying. Coal is mined by strip and underground operations. It may be considered that, with present equipment in the field, fifty feet represents the maximum depth which can be stripped; coal beyond this depth must be mined by underground methods. The man-day production (average for the last three years) is 1.43 tons per man day for underground mines, and 4.14 tons per man day for strip mines.

(1)
A representative proximate analysis of the coal is:

Moisture	3.2%
Ash	19.3%
Volatile matter	29.7%
Fixed Carbon	47.8%
B.T.U. /lb.	11,610

Based on this analysis Minto-Chipman coal is, from an economic standpoint, from 10 to 15 per cent

(1) See next page.

inferior to other coals entering the Province from Nova Scotia fields.

From a consideration of the following:

1. Distance from competing fields
2. Difficulties of mining, viz., flat-lying thin seam and roof and floor conditions
3. Limited man day production,
4. Grade of coal

it is apparent that the Minto-Chipman field is entirely different from competing fields; it is over 100 miles from any other producing field; and, therefore, it should not be grouped with other fields.

(1) Canadian Bureau of Mines,

Division of Fuels, Memorandum Series No. 100, April, 1948.

2. Value and Place in our economic life.

These deposits give direct employment to over 800 men and our coal mines support a population of over 7,000 persons in the mining area alone. Over 500,000 tons of coal were produced in 1948, valued at over 3 $\frac{1}{2}$ million dollars. ⁽²⁾ The value of the industry in our provincial economy is apparent, not only because of the employment given, but because it supplies fuel for the New Brunswick Electric Power Commission, our pulp and paper mills and other industries. It is thus an important part of our provincial economy and its prosperity is a concern of the whole province.

B. BASIC DIFFICULTIES

The Minto-Chipman field has always operated under difficulties. These are due, in part, to the nature and type of the deposit, to the lack of water

(2) Report of Dept. of Lands & Mines, (N.B.) 1948.

transportation, to the outlets, and to the dependence on local markets, where competition from better grades of coal, moving under very favourable rate structures, must be met. The history of earnings is not favourable and it is evident to even the casual observer that the Minto area is not one of the more profitable mining centres.

Recent development of stripping operations, where the seam is within 50 feet of the surface, has helped the field, but this cannot be depended upon as a permanent method.

The policy of the New Brunswick Power Commission is to use our own coal for steam generation of electricity; the producers are giving some thought to better methods of screening and cleaning and are advising potential users of proper methods of burning their product. Every effort is being made to encourage production and exploration. In spite of this, some basic transportation problems remain, the solution of which will do much to make this field the prosperous one it has a right to be.

The market for Minto coal is a local one. The producers give the following data on possible use of coal by present customers in a normal year.

	<u>Tons</u>
New Brunswick Electric Power Commission	200,000
Grand Lake - Chatham - St. John	
Canadian National Railways	120,000
Canadian Pacific Railways	30,000
Pulp & Paper Industry	300,000
Dalhousie, Edmundston, Bathurst	

Canadian Cottons (Marysville)	4,000
Domestic Use	5,000
Maine, U.S.A. (Woodland, Pulp & Paper)	<u>36,000</u>
	695,000

The Department of Lands and Mines report actual sales for 1948 at 520,000 tons for the fiscal year. Even with the assistance of the recent 50% freight subvention, it is difficult to ship into Quebec even for industrial use, because of the difficulty of competing with higher grade coal moving under a more favourable freight rate structure which also places our operators at a disadvantage and some jeopardy in the New Brunswick market.

The Maritime coal fields are considered as one group for freight rates; This makes it possible to move Nova Scotia coal into New Brunswick to our natural markets at prices which make it difficult for our producers to compete; Moreover, they are continually in jeopardy from Nova Scotia mines who could take this local market at will, due to favourable freight rates, a high grade product, and the generous help given them as subventions and subsidy payments since 1931 - which help was not extended to the New Brunswick producers on anything like the same generous scale. (3)

Markets, their stability and extension, are thus one of our main problems. Transportation costs are crucial in holding and extending them.

(3) Figures supplied through an inquiry in the House of Commons, March 10, 1947, show that if New Brunswick coal operators had been given assistance at the same rate per ton as subventions and subsidies, paid on coal shipped by Dominion Coal Company, and subsidiaries, 1931-46, the total would have been \$2,924,388, which would be \$1,780,078 more than was

(Continuation of footnote from previous page)
received. Per ton of coal produced Dominion Coal Co. & subsidiaries got in subventions, subsidies and bounties, 37¢ (1931-42) and \$1.42 (1936-46), while New Brunswick producers got 5¢ and 67¢ for similar periods.

C. REMEDIES.

There are ~~xx~~ two special factors coming within the field of transportation that would help to relieve present disabilities with regard to marketing, aid in stabilizing production and give a needed lift to the whole area. These are:

1. A regrouping of freight rates from the field.

2. The establishing of better Canadian National connections.

1. Regrouping.

The present freight rates on coal from the Maritime field apparently were arrived at by various adjustments since the days of the Intercolonial. When the Transcontinental was constructed, the New Brunswick field was given an outlet at Chipman, but the rate structure evolved failed to recognize the Minto field as a distinct and separate coal mining area. The result has been that the rates to our natural markets in the province are such that great difficulty is experienced in placing our comparatively low grade product in competition with better grade coal, moving on rates which are generally more favourable. Our producers are placed at a distinct disadvantage in their own market.

It is realized that rates per ton mile will naturally be lower for long hauls than for short ones, since rates tend to taper with distance; it is also recognized that it may not be desirable when rates are grouped, to have a break in the middle of a shipping area; but it is contended:

- (i) That the Minto-Chipman field is a distinct and separate field, with a different type of product and different conditions of mining than the other Maritime fields; it is over one hundred and twenty miles from any other Maritime field and in no way can it be classified or grouped with any other field.
- (ii) That the **present** grouping of rates has developed more or less by chance and without regard to actual conditions.
- (iii) That the present grouping discriminates against the New Brunswick producers by placing them at a disadvantage in their natural markets and in additional possible outlets. (See Appendix A for actual rates.s)
- (iv) That special subventions and aid given certain Nova Scotia operators since 1931 and especially during the war, which ~~xx~~^I aid was not extended on the same scale to New Brunswick producers, has placed additional hardship on the New Brunswick producers.

There it is requested that the Board of Transport Commissioners be instructed to regroup freight rates from the New Brunswick field and

set up a structure that will enable the New Brunswick producer to place his product in the natural outlets in New Brunswick and Quebec on at Xleast an equal basis with his competitors, having min mind the inferior grade of his product. It is pointed out that regrouping may be based on conditions other than mileage; in this respect it is contended that the New Brunswick field is a special and different field.

It is emphasized that there is no suggestion that the rates on competing coal be raised, but that a new grouping, based on actual conditions and keeping in mind the type of coal, be set up, and that care be taken to give New Brunswick coal at least an even break in its natural markets in New Brunswick and Quebec.

2. Better Canadian National connections.

Both the Canadian National and the Canadian Pacific Railways serve the Minto-Chipman area.

A C.P.R. line (leased from the Fredericton and Grand Lake Coal and Railway Company, and the New Brunswick Coal and Railway Company) runs from Fredericton to Norton via Minto and Chipman; this line, with numerous sidings, serves South Minto, Rothwell, Newcastle Creek, and the Power plant - referred to in general as the South Minto area - and connects with the C.N.R. line at Chipman some twelve miles north-east of the Minto area.

The Canadian National (Transcontinental) does not enter Minto but serves the North Minto section of the field by means of a spur line, built in 1923, of 6.4 miles from Hardwood Ridge. This line is

served by the C.N.R. and is operated by the Miramichi Lumber Company with the C.N.R. supplying equipment. It connects with the C.P.R. at Minto, but no inter-switching of coal takes place here.

The C.N.R. and C.P.R. have a point in common at Chipman. Coal originating in the C.P.R. portion of the field, bound for C.N.R. points, is taken to Chipman and switched to the C.N.R. (See attached sheet - Appendix X) This increases the cost of coal for delivery from the South Minto area to C.N.R. points by thirty cents per ton, and places the South Minto producers at a disadvantage in shipping to C.N.R. points; this situation is obviously undesirable and has a depressing effect on the price of coal in the whole district. For example, coal moves from the North Minto field via the spur line and C.N.R. to Bathurst at \$8.30 per ton delivered; from the South Minto area via C.P.R. and C.N.R. to Chatham for \$8.50 per ton, although Chatham is 45 miles nearer to Minto than is Bathurst.

It is proposed that the spur line from Hardwood Ridge to Minto be made a branch line, involving bringing it up to branch line standards and making Minto a station stop from which rates would be quoted; It is further proposed that interswitching privileges be set up at Minto between the C.P.R. and C.N.R. In support of this request the following facts are presented:

Traffic over the spur line averages 15 cars per day, and during the busy season runs up to 20 cars, which is its present capacity, due to the condition

of the bridge over Newcastle Creek and the heavy grades. A definite limit is thus set on the amount of coal that can be moved over it. At present only one Company (The Miramichi Lumber Company) whose operations are mostly in the North Minto area, can use this line, and they will have difficulty moving planned increased tonnage, unless the line is improved; moreover, with interswitching privileges at Minto, much coal originating in South minto and ~~Exx~~bound for C.N.R. points would move over it.

Present tonnage moving via the spur~~x~~(1948)

	Approximately	200,000
To C.N.R.	73,302	
To N.B. International Paper Co.	105,707	
To Bathurst Power and Paper Company	13,570	
To miscellaneous	4,000	

Possible new tonnage from North Minto field:

80,000 to 100,000

Planned increased production.

Tonnage now moving from South Minto to C.N.R. points

via Chipman: 51,000

To Bathurst	19,000
To Chatham	32,000

(All figures based on 1948 production)

The figure for Chatham may approach 100,000 tons as the new power generating plant takes over a heavier load.

Total tonnage the branch line could expect to handle would be, as a conservative estimate, 330,000. This would give an average of over 25 cars per day and would undoubtedly warrant the expense involved in

improving the line.

It is realized, of course, that this move might reduce the traffic between Minto and Chipman on the C.P.R. or compel that line to cut its rates. In any case, the welfare of the whole field should not be prejudiced by the interest of this line. Moreover, it is possible that in the over-all picture the C.P.R. would not suffer. General stimulation of the whole field would benefit the line and since switching would be done at Minto by the C.P.R., some revenue, limited by the possibility of trucking, would accrue from that service.

Approximate tonnage carried by the C.P.R. to C.P.R. points 1948, was as follows:

To Saint John	70,000
To Power Plant (Newcastle Creek)	40,000
To Canadian Cottons (Marysville)	5,000
To Maine, U.S.A.	36,000
To Edmundston	100,000

In addition, the railway moved 25,000 tons for its own purposes. The proposed regrouping and expected additional tonnage to Edmundston (Fraser Companies) would increase C.P.R. ~~xx~~traffic by more than would be lost between Minto and Chipman.

Thus the establishing of a branch line from Hardwood Ridge to Minto would relieve the congestion now developing on the spur cut delivered costs for the whole area, increase traffic for the C.N.R., increase the over-all traffic from the area and inject new life into the whole field. This - coupled with regrouping of rates and possible industries in the Minto area, would put this

field in a sound position and be a boon to the whole region. It is submitted that nothing is being requested which will cost the carriers anything in the long run; what is requested is simple justice.

It is apparent that the flat rate increase of rates (such as the 20¢ per ton increase of 1 April 1948) given without regard to conditions, operates to the disadvantage of the Minto field. Increases have to be passed on to consumers and they thus serve to put the cheaper Minto product at a greater relative disadvantage. Thus, a 20¢ increase on \$7.00 coal is a larger percentage increase than a 20¢ increase on \$9.00 coal. The differential may seem small but it may be enough to result in loss of markets by the Minto producer; certainly it makes his position less secure. The margin of preference which may exist in spite of lower quality, because of its lower prices, is lessened. Moreover, the 20¢ increase used on the short haul to the power plant changed the rate from 30¢ to 50¢ per ton. This type of increase may result in loss of traffic as the operators shift to truck transportation; already 60% of the coal being delivered to the Power Commission's plant at Newcastle Creek is moving by truck.

APPENDIX A

Examples of disadvantages Minto producers are under with present grouping. From N.S. points to Dalhousie and Bathurst.

	<u>From</u>	<u>Dist- ance</u>	<u>Rate</u>	<u>Cost per ton mile</u>	<u>Differential per ton mile against N.B. producers.</u>
ousie, N.B.	Sydney, N.S.	527	\$2.10	3.9	
ousie, N.B.	Stellarton (Acadia Coal)	342	1.70	4.9	
ousie, N.B.	Springhill Jet.	250	1.30	5.2	
ousie, N.B.	Minto via Chipman	231	1.50	6.5	2.6, 1.6, & 1.3
ousie, N.B.	Hardwood Ridge	220	1.20	5.4	1.5, .5, & .2
urst Spur, N.B.	Springhill Jet.	188	1.00	5.04	
urst Spur, N.B.	Minto via Chipman	169	1.30	7.7	2.7
urst Spur, N.B.	Hardwood Ridge	165	#1.00	6.0	1.

#In addition there is a charge of 10¢ per ton for moving coal from Minto to Hardwood Ridge; this increases the unfavourable differential above figures shown.

(The rate from Sydney, N.S. to Dalhouse, N.B. is less than the actual cost as calculated by the railway for O.C.S. coal, although the water borne rates, on which the rate is based, are now much higher than when the rate was established.)

Statement comparing mileages, rates, and per car
mile revenue from Hardwood Ridge, N.B. and Maccan,
N.S. to various destinations in New Brunswick.

	<u>Miles from</u>		<u>Rate from</u>		<u>Per car</u> <u>Revenue</u>	<u>Mile</u> <u>from</u>
	H.R. Maccan		H.R. Maccan		H.R.	Maccan
Bathurst Spur	154	180	100	100	25.9	22.2
Dalhousie	215	241	120	130	22.3	21.3
Fredericton	66	189	130	170	78.7	31.7
Newcastle	110	136	140	140	50.9	41.1

Rates in cent per ton of 2,000 lbs.

Hardwood Ridge and Maccan nearest points on C.N.R. in
N.B. and N.S. fields to New Brunswick points.

Last column based on 40 tons per car.

Note that Minto field has to pay additional cost of
10¢ per ton to get coal from mines to Hardwood Ridge.

POTATOES AND FREIGHT

General

The potato crop is the most important field
crop of New Brunswick; its value as a cash crop is
normally greater than that of our other field crops
combined and since 1940 has averaged around \$15,000,000.
per year. Although the principal growing areas are in
Carleton, Victoria and Madawaska counties, almost half
of the 31,000 farmers grow potatoes on a commercial
basis and under favourable circumstances many more would
do so. The successful marketing of this crop is thus
vital to our provincial welfare; when the
potato growers are in financial difficulties the whole
provincial economy is affected adversely. New Brunswick

produces about 20% of the total Canadian production of about eighty million bushels and provides about 60% of the total volume of potatoes moved by rail in Canada.

Potatoes as Freight

Year	(1) Domestic Carlot Unloads -- in 12 Canadian Markets.		
	<u>From N.B.</u>	<u>Total for Canada</u>	<u>Percent From N.B.</u>
1943 - 44	6823	10742	63%
1944 - 45	1842	5055	36%
1945 - 46	4685	7441	61%
1946 - 47	6144	10341	35%
1947 - 48 to March 31st.	4863	7700	63%

These figures are for twelve markets only and do not include carlot movements for export which go up to 4,000 cars for New Brunswick alone. According to figures supplied by the provincial department of Agriculture carlot inspections of table stock potatoes in New Brunswick totalled 8419 for 1947-48. In addition New Brunswick supplies around two million bushels, 2,500 carlots on an average, of certified seed to export markets, all of which moves by rail from farms to ports or points of export. In addition there is some sale to domestic markets of certified seed. For 1947 there were 3020 carlots of certified seed moved in New Brunswick and of the whole crop only 280 carlots equivalents moved by truck for local planting. This movement is not negligible business; potatoes are freight.

Potato Growing - A Competitive Business

The business of growing and selling potatoes is highly competitive. Grower competes with grower in

disposing of his crop at the warehouse or siding, dealers and shippers compete for orders and for the crop of the grower. Potato growers are marginal producers. The business is hazardous with losses or profits depending on many factors, such as unstable markets, which are hard to control.

Markets

In order to place its surplus the province has sought diligently and with some success to improve the product, specialize in seed production and find markets in foreign countries; samples of our potatoes are now being tried in South Africa, Congo, Ceylon, Iran and other distant countries; our efforts to obtain outlets in the West Indies and South America are well known. In spite of this it has been and will continue to be necessary for us to sell much of our crop to Canadian outlets, to the metropolitan markets of Montreal, Ottawa and Toronto. For the crop year, 1946-47 we sold ⁽²⁾ 6402 carlots or 4,802,500 bushels of our production of sixteen million bushels in Ontario and Quebec; these markets take about 30% of our total production and are thus vital to us. Any handicap in shipping to that area affects the whole industry and injures the New Brunswick economy.

(3)

Carlot unloads in various markets from Eastern Provinces
for a typical year.
(1946-47)

To: <u>Market</u>	From: <u>P.E.I.</u>	<u>N.B.</u>	<u>Quebec</u>	<u>Ontario</u>	<u>(N.S. negligible)</u>
Halifax	266	23	---	63	
Saint John	12	40	---	4	
Quebec City	9	242	104	78	
Montreal	664	4908	533	380	
Ottawa	170	448	44	189	
Toronto	604	313	16	41	
Winnipeg	---	---	---	20	

No appreciable movement further west.

This table indicates the origin and destination points of the heaviest movements of carlots of potatoes for domestic markets. Obviously potatoes moving to the Montreal and Toronto markets from the provinces of Quebec and Ontario are being moved by truck. If the railways are interested in the potato carriage business it is the Maritime business that they must foster. If New Brunswick potatoes cannot move to market because of transportation charges and because of the unfavourable position they are placed in competitively because of cheaper haulage by truck by their more favourably located competitors, the railways may lose the business they now have. Their interest coincides with the interest of the potato grower in this respect.

The New Brunswick potato growers position is particularly unfavourable at present and at best it has been hazardous. Cost and price relationships are out of line and increased freight charges have added to the burden. The handicap under which our

growers operate in disposing of this crop in the central Canadian market is strikingly illustrated by the following information taken from the Fruit and Vegetable Weekly Crop and Market Report, No. 36, Vol. XX dated 6 December, 1948; 'Prices paid New Brunswick growers, bulk per 75 lbs. No. 1, delivered shipping points, Green Mountains, Katahdins, 68 to 88 cents, few 72, while Caradoc and Sarnia growers were receiving \$1.00 to \$1.10 for 75 lbs.' It should be kept in mind also that New Brunswick potatoes command a premium price because of quality on the Ontario market. This, surely, is conclusive proof of the N.B. grower's disadvantage; care must be taken not to increase this disadvantage.

-

-

-

The Impact of Increased Freight Rates

Increases in freight charges effect the N. B. potato grower in two ways:

1 As a producer selling in a highly competitive market where a difference of a few cents per sack may swing a sale, he must place his product on the central Canadian market in competition with locally produced potatoes and hence must absorb any increase in costs which do not affect his competitors; since, as has been shown, his competitors truck their produce to markets to which they are nearer, transportation costs, the greatest single cost factor in marketing New Brunswick potatoes, are of vital importance to the N. B. producer.

2 As a consumer of machinery, fertilizers, sprays, and bags, he must pay the extra costs involved in bringing these products from their sources; since these products are not locally produced the sellers have no local competition and hence pass on any increased costs to the consumer.

The N. B. grower is thus hit twice by increases in freight charges.

Marketing Costs (per 75 lb. Sack)⁽⁴⁾

<u>Purchasing</u>		<u>Freight</u>	<u>Total</u>
Grading and bagging	5¢		
Local trucking	5¢	Frt. 26¢	
Loading	2¢	Refrig. & Heat 2¢	
Bag, tag, twine, inspection	15¢		
Brokerage, dealer's margin	<u>7¢</u>		
	34¢	28¢	62¢

For the crop year 1948-49 on prices being paid in Montreal, December 1948 (\$1.25 - 1.30 per 75 lb. No. 1)

the freight was 22% of the selling price. Even with a doubled price the freight charge would be relatively high with respect to the selling price. For 1945-46 the freight was 11% of selling price, in 1946-47 it was 15%. If the 20% increase is added and the price remains at \$1.28 the percentage would be 25%. No industry can long stand freight charges of this nature particularly when the chief competitors are not affected.

To get a 75 lb. bag of potatoes from the growers bin to the Montreal market under present conditions the cost is 62 cents. This was almost 50% of the current selling price in Montreal, during November, and returned, to the grower only 66-70 cents, which was the price at the siding. Undoubtedly at this price many growers lost money. (See footnote.) The average growing costs are between 80 and 90 cents per 75 lbs. in the bin on the farm. (See Appendix A). Thus the only growers who can break even are those with abnormally low production costs due to very high yield or some fortuitous circumstances; there may be none in this category. A yield of 200 barrels to the acre would be required to bring the cost down to approximately 50¢ assuming no additional fertilizer or care; the probability of this happening is

Note: The "floor" price was set at \$1.15 per hundred-weight, April 1, 1949, in the bin on the farm; this is 86¢ per 75 lbs. or \$1.90 per barrel of 165 lbs. In spite of this some potatoes moved at \$1.50 per bbl., presumably because of lack of storage space or need for ready cash. While the "floor" price prevented the N. B. grower from taking too great a loss, it is of interest to note that potatoes must sell in Montreal at \$1.52 per 75 lbs. to make it worth while to ship them. Current prices during the fall of 1948 did not meet this and the producer who had to sell took the loss which was 4 to 5 cents extra due to the 21% increase. The floor price operated to stabilize the market and the selling price was around \$1.50 per 75 lbs. Montreal during the winter. Price mid-June, \$1.65 per 75 lbs.

very small. For the average farmer to break even the selling price on the Montreal market must be over \$1.52 per sack; with the old freight rate it would be \$1.48 with the proposed new one \$1.57. However, these figures are merely illustrations since the farmer cannot pass on the increase; he has practically no control of price and must, as has been stated, absorb any additional or increased costs.

It has been shown that while the Canadian outlet for the N. B. grower is essential, he must sell in a buyers' market where the main control of price is in the hands of the local producer. Allowing a margin of five cents to the N. B. producer because of quality he must meet the local grower's price. In addition he must absorb, for the Montreal market, a 28¢ freight charge. His competitors truck their produce to market for almost the same cost that the N. B. grower must meet to get his crop from farm to siding; allowing 8¢ for this cost to his competitor he still has to absorb a 20¢ difference. The premium price for N. B. potatoes tends to be made up for by the extra cost of the special care required to produce it. In addition the purchasing costs of bagging, grading and loading for the N. B. producer are higher than those of his competitor. Any addition in freight charges must be absorbed by the already over-burdened producer.

Taking the average yield as 220 bags to the acre (100 bbls.) the increased freight charge which has been absorbed by the grower due to the 21% increase in freight rates was \$9.90 to \$13.20 per acre of production (220 x 4.5 for Montreal; 220 x 6 for Toronto). An additional increase of 20% will mean additional burden of \$11.20 for those sold in the Montreal market (220 x 5.) and \$20.24 for those sold in the Toronto market (220 x 9.2.). This is to say that the decrease in return to the grower disposing of his crop in the Montreal market due to the freight rate increase of 21% was around \$200.00 for a farm producing from 20 acres. An additional increase of 20% will mean a new decrease in

return of from \$11.00 to \$20.00 per acre. It is obvious what these figures mean to the ordinary producer

In addition to difficulties involved in the domestic market, it must be kept in mind that the increased rate on potatoes moving to the export market very often must be absorbed by the grower. This is particularly true when there is a buyer's market as there is when there is a surplus of potatoes. This amounts to \$15.00 per carlot, Hartland to Saint John, for the 21% increase and would be over \$16.00 for the proposed 20% increase.

The N. B. primary producer must buy much of his consumers' goods from the central Canadian protected market. Due to the freight rate increase a two row tractor digger increased in price \$7.50; other machinery costs went up on a comparable basis. Fertilizer costs increased 40 cents per ton; (5) price at Hartland 20 March, 1942, \$44.80; 15th April, 1948, \$45.20. It has been estimated by the N. B. Potato Growers' Council that the 21% increase in freight rates raised production costs by over four cents per bag when all things are considered. The point to note is that increase in costs due to increased freight rates are passed to the potato grower. Thus while he absorbed the increase in rates on the sale of his product he also absorbed the increase in rates on the materials used in production. To sum up: Increased freight rate charges are absorbed by the N. B. grower both as producer of potatoes in the decrease in his return, and as a consumer of fertilizer and machinery in increased costs of these. The N. B. growers being in a highly competitive business are

mostly marginal producers; increased costs of freight in competition with those who are not affected cannot be easily met and have put the whole industry in jeopardy. Additional increases in freight costs cannot be met and will do great harm not only to the commercial potato growing industry, but to the whole New Brunswick economy.

- (1), (2) and (3). Information taken from the "Fruit and Vegetable Weekly Crop and Market Report, No. 12, Vol. XX, P/17, June 1946"
- (4) Figures obtained from Shippers -- See also: "Marketing P.E.I. and N. B. Table Stock Potatoes in Eastern Canada 1945-46," the Economic Analyst, 17th May, 1947, Dom. Department of Agriculture.
- (5) The N. B. Potato Growers used about 60,000 tons; mixed in Saint John, St. Stephen, Windsor, Halifax, ingredients from many wide sources.

APPENDIX A

ESTIMATED COST OF 100 BBL. CROP, PER ACRE

8 bbls. Seed @ \$4.00 per bbl.	\$32.00
2500 lbs. Fertilizer @ \$2.00 per cwt.	50.00
Cutting Seed @ 40¢ per bbl.	4.00
Trucking @ 20¢ per bbl.	20.00
Spray, 200 lbs. @ \$8.00 per cwt.	16.00
Spraying Labour, 6 times @ 75¢ per acre	4.50
Land Rent, per acre	10.00
Ploughing	4.00
Harrowing, 3 times @ 75¢ per acre	2.25
Picking Stones @ \$5.00 per acre	5.00
Planting @ \$3.00 per acre	3.00
Cultivation, 4 times @ \$1.25 per acre	5.00
Digging @ \$5.00 per acre	5.00

Picking @ 15¢ per bbl.	17.00
Trucking Fertilizer @ \$1.50 per ton	1.87
Barrels and Baskets	3.50
Miscellaneous	5.00
Interest on Investment @ 6%	11.28
<hr/>	
COST PER 75 lb. BAG ..90.6¢ TOTAL	\$199.40
<hr/>	

HIGH FREIGHT RATES AND THE NEW BRUNSWICK MANUFACTURERS

We in New Brunswick have not developed heavy and large scale manufacturing industries; geographic factors and the type of our natural resources make it unlikely that we will do so. We are basically primary producers. However, we do have some important and nationally known manufacturing establishments who are able to compete with more favourably located competitors because they make a quality or special produce (e.g. Hartt Shoes, Ganongs Chocolates, Simms Brushes, John Palmer Company, Northern Machine Works, Enamel and Heating). By good management they have kept down costs which has enabled them to overcome disadvantages of location. Some of their advantage has been due to low labour costs, which, in a sense, meant that the workers, on an enforced low standard of living, were subsidizing industry in order to make it possible for it to operate; happily this condition is being remedied, but, as costs go up our margin of safe operation narrows and such factors as freight rates become vital in making marketing possible even for our specialized industries. The horizontal increase of 21 per cent made the competitive position of these industries very much worse, and another increase will

make it almost impossible for many of those depending on the Canadian market to compete and to continue operating.

Many of our industries must bring in from central Canada much of their raw material (such as leather, glucose, steel) as well as machinery and equipment. This, of course, adds to their manufacturing costs and places them at a disadvantage in competing with those more favourably located. In so far as they manufacture for export this is not a special factor, but with the difficulties now being experienced in getting into export markets, the need for the domestic market becomes greater and the transportation disadvantage becomes more apparent. Horizontally increased freight rates tend to accentuate this disadvantage. This point should be quite clear but actual cases may make it more evident. Before the 21 per cent horizontal increase the rate on steel from Sault Ste. Marie to Sackville was \$8.40 per ton, and to Carleton Place, Ontario, \$4.50 per ton; the differential was \$3.90. After the 21 per cent horizontal increase the rate on steel from Sault Ste. Marie to Sackville was \$10.10 per ton, and to Carleton Place, Ontario, \$5.94 per ton; the differential was \$4.22.

Business develops on the basis of a differential; horizontal increases, placing a heavier load proportionately on those requiring a long haul tend to destroy established markets and have serious results on those affected adversely.

A further illustration of how established differentials are destroyed by horizontal increases is

shown in Appendix IX. The partial establishment of the old differential by the Maritime Freight Rates Act, 1927, and its destruction by the 21 per cent horizontal increase as shown on the chart is respectfully brought to your attention.

An illustration of the actual impact of these increases on one of our New Brunswick manufacturers has been worked out. In brief, it shows that this company paid a total freight bill on material brought into its plant from Ontario for the year ending 31 December 1947 of \$71,122.92. The freight bill on the same material used by a competitor in Ontario would have been \$42,900.68, giving an unfavourable difference of \$28,222.24. Now with the 21 per cent horizontal increase in effect the unfavourable difference works out to \$34,148.01, and, should a further 20 per cent increase go into effect, the difference would be \$40,978.69. The total freight bill of this company based on the same rate of business will be increased by \$45,295.53 over its 1947 bill by the 21 per cent increase. Add to this disadvantage the fact that much of our present production must be sold in central and western Canada in competition with Ontario firms and it will be evident why our manufacturers are so concerned about horizontal increases which tend to increase their disadvantages.

With a buyers' market developing, increases in costs cannot be passed on to the consumer. Unfavourable freight rates affecting both materials used and goods sold can compel industries to close. We do not expect our manufacturers to be subsidized by the

railways through low freight rates. The right of the railways to a fair return is not in dispute; we do claim that some policy must be worked out to aid us; our suggestion is the extension of the principle of the Maritime Freight Act, 1927, to materials moving eastward for consumption or use in New Brunswick, and the extension of the Act's application on traffic moving westward to at least Toronto.

We would look with favour on any suggestion which would enable our established manufacturers to avoid the losses which inevitably follow when horizontal increases in rates are allowed.

In any event we feel that the established differentials should not be changed so as to make our position worse. We do not concur in the suggestion that high freight rates be used as a tariff to help establish uneconomic industries and thereby add to the general burden of our community, but we do feel very strongly that established industries, often developed for, and dependent on, the export market which is now so difficult to hold, should not be placed in jeopardy by careless rate changes and thoughtless transportation policies.

- - - - -

TRANS-CANADA HIGHWAY

The increasing importance of motor vehicle highway transportation needs no emphasis. It is obvious that without hard surfaced highways the development of this type of transportation would be greatly restricted. The importance of a trans-Canada highway is recognized by all and the principle of its establishment

has no opponents. We in New Brunswick submit that the building of this highway is essential to national unity and to the overcoming of some of the natural geographic barriers between the areas. Already the turnpikes and parkways running along the east coast of the United States make it very easy for residents of this province to communicate with such centres as Boston and New York. It is important that a highway built to high standards comparable to the modern parkways be established as soon as possible to stimulate inter-area travel and trade in Canada. We urge that the Commission recommend the immediate construction of the Trans-Canada highway and that the standards of construction be comparable to those of the most modern highways.

- - - - -

RAILWAY CROSSING ELIMINATION

There are in Canada approximately 32,000 Railway Crossings. In New Brunswick alone there are 1,071, of which only 168 are protected. The danger of these crossings is known to all.⁽¹⁾ Making it illegal not to stop does not change human nature. We submit that every level crossing in Canada ought to be properly guarded; those that are most dangerous should be eliminated by passes while the latest type of flashing light and sounding alarm should be placed on the less dangerous ones. The improvement of highways and of motor vehicles, making average speeds much greater, have rendered the old type of crossing obsolete. It is the primary duty of the national state to be concerned with the safety of its citizens; the federal

(1) The 1948 report of the Motor Vehicle Registrar for New Brunswick shows 18 reported collisions between autos and trains and 9 deaths in such collisions.

government should take the initiative in a programme to eliminate all dangerous crossings and guard every remaining crossing with the most modern devices. Since all citizens are concerned with this we feel that at least 70% of the cost of eliminations should be borne by the federal government with the province and municipalities paying 10% and the railways 20%. It is also submitted that there are at present many dangerous passes. Some of these were satisfactory at the time of construction but with modern transportation developments, are now too narrow and so badly placed as to be more hazardous than the crossing they are intended to eliminate. It is submitted that any plan evolved for proper guarding of crossings should include provision for the improvement of obsolete and badly engineered passes now in existence.

-

-

-

CHIGNECTO CANAL

The question of the construction of the Chignecto Canal has always been of great concern to the majority of the people of the Maritime Provinces, as a means of lessening the burden of our transportation problems and history shows that at all stages of our development, transportation was of necessity, one of our greatest problems.

The proposals that this waterway be constructed across the eighteen mile neck of land between New Brunswick and Nova Scotia has been investigated by many competent authorities and its feasibility has never been seriously disputed but the last Royal Commission was influenced by the economic depression existing at the time.

The Government of New Brunswick wishes to support the request of other representative bodies that your Commission should take steps to investigate the various representations already made and to be made in support of this project and in so doing, we are conscious of the fact that it is quite impossible to show in a statistical manner at the present time the benefits which would flow from its construction because of the difficulty of prophesying the saving which would be made. It appears obvious, however, that the tremendous saving in mileage which would result from the canal's construction could not fail to result in great benefit to the Eastern Provinces. Similarly it was quite impossible to measure in advance the benefit to be derived from the construction of the Welland Canal but that it did benefit the area concerned is now accepted.

SUMMARY

It is obvious that New Brunswick would normally trade with the New England States and overseas markets. It is also true that Dominion Government transportation and tariff policies were designed to promote trade within Canada. Experience shows that present transportation cost defeats that policy of making Central Canadian Markets available to us while present tariff policy places additional costs upon our consumers. That being so; it is most important, if we are to have a united Canada that steps must be taken to alleviate these conditions for it is not only important that justice be done to all sections of our economy but it is just as important that justice appear to be done. Railways are a vital part of our economy, and were constructed so to be. We respectfully submit that they should be used for the purposes intended and that their use should be coordinated with other policies of government, at the same time taking into account local and world market conditions. In short, all authorities recognized that we always had substantially lower rates, at time up to 40-50 per cent, that our economy was predicated upon these rates, and that we are entitled to them.

The difficulties with which your Commission is confronted are tremendous but we respectfully request that national unity and national interest are paramount factors to be considered in your deliberations, and that being so, we ask that due consideration be given to our proposals.

R. J. LOVE, Called

EXAMINED BY MR. BARRY:

Q You are R. J. Love?

A Yes.

Q What is your occupation?

A I am a professor in the Department of Economics and Politics, University of New Brunswick.

Q You reside in Fredericton?

A Yes.

Q Have you made certain studies with regard to certain products in the province of New Brunswick?

A Yes, I have.

Q With respect to what particular things and over what period?

A Since last September I have been concerning myself particularly with potatoes, coal, and to a lesser extent with lumber and some other basic commodities.

EXAMINATION BY MR. COVERT

Q Mr. Love, have you a copy of the brief?

A Yes, I have.

Q Would you turn first to page 2, paragraph 4, at the bottom of the page where you say:

"We respectfully submit that the situation in the Maritime Provinces with respect to freight rates is substantially different than that prevailing in other provinces."

First, I wonder if you would elaborate on that a bit. You say, "substantially different". You mean with regard to the distance from the market, and so on? Is that what

you have in mind?

A First of all I think we should consider the whole Confederation agreement, and the original reasons for building the Intercolonial Railway. That puts us in a special position at once. Secondly there is the fact that we in New Brunswick are primarily producers of primary products, and we depend on the export markets for marketing our goods, probably more than central Canada.

Q So it is both historical and --

A Economic reasons.

Q And are you suggesting that there are differences in geographic --

A Yes, we are 500 or 600 miles from the central Canadian market, and the space in between is one which is a barren haul in the sense that any movement of freight originating here passes through without picking up much on the way between here and Montreal and Toronto.

Q What I want to find out is if you think that covers generally what you have in mind in that statement?

A Yes.

THE CHAIRMAN: Q. Did I understand Professor Love to say that the greater ^{part} of your material is exported to foreign countries?

A Yes, as to our primary products we depend on export markets to sell them.

Q That is to foreign countries?

A Yes, but I would qualify that by saying that we also have to get a substantial amount - and I think it is becoming more and more important - of our exports into the central Canadian market as world markets become more

and more difficult to get into.

MR. COVERT: Q. In that connection has the province prepared any special statistics itself, or have you anything on statistics that would be valuable to the Commission over and above what we can get from the Dominion Bureau of Statistics in connection with production, how much of that is exported, how much is consumed locally, the regional breakdown?

A I think included in the brief are figures on our sale of potatoes, the percentage that are sold in the central Canadian market and the percentage that we depend on selling in the United States and foreign countries, which we are trying very hard to cultivate. We can also give you figures on lumber, although the lumber figures are rather difficult to get accurately. I find there are considerable differences of opinion as to the amount we sell in Upper Canada, but for last year I use the figure 40,000,000 feet, and I do not know how accurate that is, but it is as near as we could get.

(Page 3996 follows)

Q. Could you get this for a period of years, and would it indicate any trends in the market?

A. Yes, I think possibly it would do so. I cannot say, offhand, where I could put my hands on them; but I think they could be obtained.

Q. How far back could you get those for us?

A. I do not know. I am not familiar -- for example -- with the fruit market reports. They would give it for potatoes, whenever they start to give us the proper statistics, but I do not know how far back that would go.

Q. The province, itself, has a department of industry, for instance, and would there not be statistics on that?

A. On the disposal of our products in various markets?

Q. Yes?

A. There is nothing consolidated, to my knowledge.

Q. Then would you get for us what you could in the way of regional distribution of the various products such as lumber, and so on, for as long a period as possible?

A. You are probaly familiar with the Maritime provinces in relation to the national economy. There is given a very full account of freight originating and terminating in the various classifications in New Brunswick. The Dominion Bureau of Statistics have the others. We would have to go into the various departments, such as the Department of Agriculture, the Department of Mines and Lands, to see what we could get, over a period of time.

Q. In the same paragraph, when you say that:
". . . the necessity of lower freight rates to the people of our province is an essential and that such necessity has always been recognized, both in public pronouncements and in legislation."
You are referring there, I assume, to the report of the Duncan Commission, and the resultant Maritime Freight Rates Act?

A. That is right.

Q. And the speeches in the appendix, and so on?

A. That is right.

Q. Is there anything in addition to that?

A. I think the whole case -- the case we built for potatoes and lumber -- goes to substantiate that, right at present, in 1949.

MR. O'DONNELL: Q. Goes to show what?

A. That it is still true that we must have special consideration.

MR. COVERT: Q. Would you now turn to page 3, where in paragraph 1 you say:

"It is the policy of the present Government of Canada to level off our economy where such is possible."

Are you referring to such matters as, perhaps, the Income Tax Act? Or, what have you in mind there?

A. Perhaps we should have said "level up", instead of "level off". We, in the Maritimes, feel that way, that it is the policy of the present government to level up our economy. I think the Maritime Freight Rates Act is an example; and I think that all our social services tend to indicate that, such as the family allowances, the old age pensions, and everything of that nature. Perhaps I should say "special

subsidies to the Maritimes."

Q. Then, on the same page, page 3, the same paragraph, you say:

"Long haul non-competitive freight rate charges seem to be one of the means by which a railway may now gain extra revenue, but in the case of this province, while we are in the position of having to use the railways on long hauls, we can least afford the increase."

Are you suggesting there that the railways are being driven, more and more, to the long haul, because of truck competition taking away the short haul?

A. Yes. That idea is involved in that sentence.

Q. And when you say:

" . . . freight rate charges seem to be one of the means by which a railway may now gain extra revenue, . . .

Are you suggesting there that they are putting a greater burden on the long haul traffic as a result of that?

A. The 21% increase granted automatically has the result of doing that.

Q. Just on long haul?

A. Long haul has to pay the higher charge, and the 21% increase puts a greater burden on that. That is one of our main contentions.

Q. But if there was more short haul traffic?

A. If the railways could get revenue from the short haul traffic, they would not have to get more from the long haul.

Q. You say they are being driven out of the short haul to the long haul?

A. That is part of it.

Q. And that they must get extra revenue from the long haul; and that therefore the people who are far away from the markets are affected?

A. That is right.

Q. And more especially so in the case of the horizontal increases?

A. Yes.

Q. And when you say "extra revenue", what do you mean?

A. Additional revenue.

Q. I wanted to make sure just what you meant. You mean "additional revenue"?

A. We do not mean "extra" in the sense of more than they are entitled to; we mean "additional."

Q. Have you any views as to whether or not the long haul traffic is the more remunerative? Or, have you made any study of that?

MR. BARRY: I think we will have to rely on Mr. Matheson for any technical matters, that is, unless Professor Love wishes to answer.

THE WITNESS: I have no knowledge of it. I would only be presenting his ideas which are in the brief.

MR. COVERT: Q. If there are any questions of that nature, I would prefer you to say that you simply cannot answer them rather than to have you try to answer them, because I understand there are several witnesses who will be coming along..

Have you any specific instances in mind where the railways have been driven out of short haul traffic in New Brunswick?

A. Well, in talking to various shippers in the province, I have been told that certain produce is being shipped by truck rather than by rail, due to the increases in the freight rates. I have also been told that consideration is being given to the shipping of pulp by truck instead of by rail. And I know that in the case of shipping apples, it is possible to ship apples from New Brunswick to Montreal just as cheaply by truck as it is by rail, and the only thing that prevents it from developing is, possibly, the ownership of the fruit terminal in Montreal by the Canadian National Railways.

Q. What is that?

A. The ownership of the fruit terminals in Montreal by the Canadian National Railways. I have been told that either the Canadian National owns it or the railways, and that the trucks cannot get in and dispose of their loads so easily. So they ship by rail. But they are right on the verge of doing something about it if the rates go up. I mention that as a case where goods can move by truck. I understand that the fruit wholesalers of Montreal are thinking of building one.

Q. Thinking of building a fruit terminal?

A. A fruit terminal. I read about that in the Financial Post, about six months ago.

Q. Have you any figures on truck competition here?

A. I know that the use of trucks is increasing. I am sure of that. It is everywhere. I think it is a common practice. Nevertheless, I believe they are

increasing faster in the Maritimes than in the rest of Canada, although I cannot quote figures.

Q. Is someone going to come here and ask for the regulation of trucks?

MR. BARRY: We filed that information with the Commission. I understood that was all the Commission would need -- I mean, such laws as already did exist. I requested it of the secretary some time ago, all the legislation, what legislation was filed.

MR. O'DONNELL: The figures concerning trucks are to be found in the Annual Report of the Minister of Public Works.

MR. BARRY: I thought Mr. Covert was speaking about the laws regulating trucks. There is no regulation of truck tariffs here.

MR. COVERT: Q. There is no regulation of truck tariffs here?

A. I might say that I believe there has been some shipping by truck; but the shippers much prefer to ship by rail. However, due to certain regulations, they sometimes have to use the trucks, while they prefer to use the railways. That is sometimes applied to the shipping of livestock. I believe that case is now being handled by the Board of Transport Commissioners, in regard to the minimum carload weight of livestock. Mr. Matheson would know about that.

Q. You say they would much rather use the railways, let us say, in shipping cattle?

A. Yes.

Q. Now, in the second paragraph on page 3, in the latter part, you suggest:

" . . . tariffs are subsidies in effect . . . " ?

A. Yes.

Q. " . . . and are paid by the consumer . . . " ?

A. Yes.

Q. And you go on to say that if you had complete free trade, the problems would solve themselves. You think that is so today?

A. Probably it would involve straightening out currency difficulties. But I think if we had a customs union with the United States, we would not be worrying about freight rates and the disposition of our goods, but that is a personal opinion.

Q. You seem to recognize that the tariff is here, and that, probably, it is necessary for the building up of Canada?

A. That is right.

Q. And you say that since the tariff is here, something should be done with the freight rate structure to compensate? Is that correct?

A. That is right.

Q. Do you think that the freight rate structure is something that can be used to compensate for the differences that have been created, as you suggest, by the tariff?

A. I think that railways are instruments of national policy, and that whether it should be done through just changes in the freight rate structure, or through compensation to the railways -- I do not think that we are asking that the freight rates be put down to such a low extent that the railways lose

The railways must meet their costs. We recognize that.

Q. Perhaps, under the Maritime Freight Rates Act, they cannot lose. But, can you adjust freight rates? Is there such a possibility of adjustment that it will compensate for what the tariff has done?

THE CHAIRMAN: Let us understand this. We are excluded here, I understand, from certain markets by the customs. That must be the customs tariff of the other countries, not ours.

MR. COVERT: My understanding of this argument is --

THE CHAIRMAN: That is right, is it not? Take the United States, for instance. If you cannot get your goods there, on account of the tariff, it is the American tariff, is it not?

THE WITNESS: That is true. That affects it. But I believe your point was concerning the Canadian customs tariff which forces us to buy in the central Canadian market, at higher prices.

THE CHAIRMAN: Yes, that is what makes you pay more for your equipment, and so on.

MR. COVERT: Q. Yes. And my understanding is, Mr. Chairman, that it shows that, since they have to buy from Central Canada, the freight rate should be used as a compensating factor, and as a national instrument to even things up.

A. I do not know if it is correct to use freight rates there. It may be necessary in doing that to give the railways -- to keep the rates high to compensate the railways in some way; and, to use the freight rate structure to do that, I do not mean that the freight rate structure should be so low that the

railways are going to lose. We think the rates should be high enough so that the railways can meet their costs. But, if they are too high then a special arrangement, such as the Maritime Freight Rates Act, should be used.

Q. Do you think that this might be a method which could be used all across Canada, for instance, if there should be similar areas in the west?

A. If British Columbia can build a case for it, I do not see why we should be treated differently from them except that, on an historical basis, we have a better claim than they have. But I see where they don't want subsidies anyway, so I won't speak for them.

Q. You feel that it is all right to use the railways as a national instrument, or in connection with a national policy?

A. I think so, to even things out. I think it is not only all right, but I think it is necessary; or some other method be found.

Q. At the bottom of page 3 and the top of page 4, at the start of the first recommendation, you say:

"That the differential as it existed before the last rate increase be restored by adjusting the provisions of the Maritime Freight Rates Act, 1927."

Now, when you say "adjusting", is that something more than amending the Act?

A. It might involve changes, it might involve changing that 20 to a higher percentage. The differentials are shown on these graphs merely as examples of a 5th class rate, and the lower right-hand corner is significant. We think that the line should be quite

level, or even put back further, because I do not think the Maritime Freight Rates Act went quite as far as the Duncan Commission intended it to go.

Q. Just looking at the chart showing the 5th class rates, under the red line, that shows that immediately after the passing of the Maritime Freight Rates Act the differential was $10\frac{1}{2}$ cents. Is that correct?

A. Yes.

Q. And it remained that way until 1948, when you had the 21% increase?

A. That is right.

Q. And that made the differential 13¢?

A. The other is the hypothetical one.

Q. And the hypothetical includes the 20% application?

A. Yes.

Q. Do you make the differential 16¢; is that correct?

A. Yes.

Q. And what you are saying is that there must be something done by way of amendment to the Maritime Freight Rates Act so that differential cannot ever be changed from the $10\frac{1}{2}$ ¢?

A. It should not be distorted in such a way as to injure our producers down here. They get business all set up on that basis; then the freight rates come in and throw them out, and they just cannot market their goods. I do not say that it should never be changed, but that is what it means.

Q. It must not be changed so that the position

of the producers down here, in so far as obtaining markets for their products in central Canada are concerned --

A. That is right.

Q. That is the whole basis of it?

A. Yes.

Q. And when you say "adjusting", you mean something must be done so that that differential is not affected?

A. That is right.

(Page 4011 follows)

Q. Your next recommendation, No. 2, on page 4:

"That such reductions as are made in the standard rates be made applicable over the complete haul, at least as far as Toronto.."

First, is there any significance in the use of the word "standard rates" there?

A. No, I don't think so.

Q. You just mean the normal rates?

A. Yes.

Q. It would apply to all rates affected by this Act?

A. That is a technical point on rates. I cannot see that it would make any difference if the word "standard" were left out. Does it make any difference, Mr. Matheson?

MR. MATHESON: Maximum rates are standard rates, so what you really mean is normal rates.

MR. COVERT: I wondered if it just meant "rates".

THE WITNESS: "Rates" .

MR. FRAWLEY: Why not just strike out the word "standard"?

MR. COVERT: Perhaps that may as well be done now, for the purpose of questioning. In other words, in recommendation No. 2, Mr. Chairman, just delete the word "standard" and leave it "rates".

THE CHAIRMAN: It means all rates.

MR. COVERT: Yes.

"....be made applicable over the complete haul, at least as far as Toronto from the point

of origin, instead of only within the 'select area' "..."
Now, there is no intention there to ask for an extension
of the select area; you are just asking that the 20%
or whatever percentage may be applied shall be extended,
you say at least as far as Toronto?

A. That is right.

Q. Whereas now it only extends to Levis?

A. Diamond Junction.

Q. Diamond Junction?

A. Yes.

THE CHAIRMAN: Would that mean extending the
select area ?

MR. COVERT: Q. You do not mean to extend
the select area?

A. No.

Q. You just want a 20% reduction to the Maritimes?

A. That is right.

Q. And when you say at least as far as Toronto,
have you any --

THE CHAIRMAN: Is that, then, only in the
one direction?

MR. COVERT: I am coming to that, Mr. Chairman.

MR. BARRY: That is the next recommendation,
sir.

MR. COVERT: That comes in the next
recommendation, Mr. Chairman.

Q. But when you say at least as far as Toronto --

A. Well, we won't object if it goes to Winnipeg.

Q. Beg pardon?

A. We would not object if it went to Winnipeg.

Q. No, but I think it is a matter that must be

treated with some seriousness, and what I am --

A. It is the Central Canadian market we are concerned with.

Q. It is the Central Canadian market you are concerned with.

A. Yes.

Q. And when you say at least as far as Toronto, you mean to get into the --

A. Yes.

Q. Now, is that something that is needed to restore the position that you talk about in your chart?

A. That is in addition.

. That is in addition?

A. Yes.

Q. Is that necessary to enable you to get into those markets?

A. Well, it will help.

Q. It will help?

A. Yes; we feel it would have a beneficial effect.

Q. And your suggestion as to subsidy would be that the subsidy would cover that 20% rate to the line?

A. That is right.

Q. Now, have you considered the effect that would have on other areas, for instance, Western areas that are seeking the Central Canadian markets?

A. Well, I do not think we compete very much in the Central Canadian market with western products.

Q. On lumber, from British Columbia, for example?

A. Well, we have that to contend with anyway. Their lumber is a better product, and we ship only

certain kinds of lumber to the Central Canadian market that we can get in there and sell even in spite of British Columbia lumber.

Q. Now, would you have any competition from the western provinces in potatoes?

A. None that I know of. We ship practically no potatoes west of Ontario, and a few odd carloads have gone into Winnipeg, but no great amount.

Q. I was not thinking so much of your shipping further west, but in competition with the western provinces, are you not --

A. I do not think we would have to fear competition from western potatoes at all; I do not think they are as good.

Q. You are saying that if this gave you a preference into the Central Canadian market, the only people over whom you are really getting preference are those of the Central Canadian provinces themselves?

A. We are really not getting any preference over them; we are just being put on a more equal basis.

Q. Yes, because they have no freight rates to pay?

A. Yes, that is right.

Q. Because they are in the area?

A. Short haul, and trucking.

Q. You do not think the extension of this to a point as far west as Toronto would give you any preference over any region in the west, because they do not compete with your products at all?

A. Yes, I think that is a fair general statement

There might be examples where there might be some difficulties, but I cannot think of them.

Q A small number?

A. Yes; I do not think it would hurt Western Canada. Maybe they might feel that it would, but I cannot see that it would.

Q. What about shipments of cattle, of livestock? No competition?

A. No, I do not think we ship appreciable numbers of cattle to the Central Canadian market; I know we do not.

Q Very little?

A. I do not think we ever will. Maybe Mr. Taylor could answer that.

Q. Now, while we are on this point, my understanding, Professor Love, is that it is because of the loss or expected loss of your export markets that you say you must have the Central Canadian markets?

A. They are becoming more and more important to us all the time.

Q. Now, presumably that would be so with all regions in Canada?

A. Yes, I think it would.

Q. They are losing their export markets as well?

A. Yes, I think it would be fair to say that.

Q. Does this not, then, suggest that Canada must take up all that was exported? In other words, it must be consumed in Central Canada?

A. Well, it seems to be going opposite to what we would like to see. If we are not going

to have free trade and get the world markets open, it is just a matter of that, as you say. We don't like it, but it seems to be going that way.

Q. In effect all regions in Canada will apparently be seeking the Central Canadian market if the export markets are lost?

A. I suppose that is true.

Q. And I suppose the question does arise as to whether or not the Central Canadian market can absorb the production?

A. That is right, that is true.

Q. And what you are in effect saying, I take it , is that we must have in the maritimes a lower freight rate in order to get in there to compete with other regions for that Central Canadian market?

A. Particularly commodities that are produced in Central Canada; and we think that is fair because so much of the Central Canadian manufacturing economy is protected by the tariff.

Q. Now, coming to your third recommendation on page 4, and striking out again, the word "standard":

"That such reductions in the rates should be applicable on goods manufactured in Central Canada and shipped into the Province of New Brunswick, especially on those goods which are tariff protected and where there is no competing industry in the Maritime Provinces".

Now, on page 12 of your brief, in the second paragraph, the paragraph near the bottom, you say:

"It is on this basis that we make our claim

"for extension of the principle of the Maritime Freight Rates Act to apply on traffic moving from eastward in Canada destined for us in New Brunswick, particularly on goods made in Canada under a high tariff wall and of a type and kind not made in the Maritimes where manufacturing industries using mass production methods have not and are not likely to develop. We submit that the New Brunswick consumer of both ordinary consumer commodities and of producer goods must be considered."

Then you go on to say that you feel that the loss of the market would be more than compensated by the benefit to the consumer. Now, first I would like to ask you, isn't that a radical change from the position taken by the province at the time of the Duncan Commission.

A. Well, some people interpret it that way, but I cannot see that it is a radical change. The Maritime Freight Rates Act was designed to give us a good chance to get into the Central Canadian markets, but there is no reason why the Act could not apply the other way and --

Q. Just a minute, before you leave that. Isn't it true that it was also designed to protect --

A. No, I do not think that is true.

Q. It was not designed to protect the local manufacturer?

A. Some of those who advocated it may have had that in mind, but I do not think the Commission did.

Q. Then in effect you are worried particularly

about the consumer and not the manufacturer?

A. That is right. We are concerned about manufacturers too. I suppose we could say that we are not in favour of building up industry down here under the protection of a high freight rate; I think that is a fair statement.

Q. You are not concerned in building up industry here in the Maritime provinces under the protection of a high freight rate?

A. Of a high freight rate down here, which would act as a tariff, you see; but where industries are established we are concerned about not disturbing them, because once a thing is established it has to be considered, and we believe that even those industries that might be affected by having competitors down here will gain because of being able to get their raw materials which they now import from Upper Canada on a cheaper basis, and they should be able to compete; as a matter of fact, some of them have said they are willing to.

Q. Some of the industries that are located here now:

A. Yes, they are not worried about that as far as we can learn. There may be an odd case of it, but it has not been drawn to our attention.

Q. Wasn't the application of the 20% reduction only one way? Wasn't that for the protection of local industries?

A. Well, as I say, I do not think the Commission had that in mind particularly. I think they were more concerned with our marketing our

products, but I believe there were some who advocated at the time who were probably concerned with that. I am only stating opinion there again.

Q. But you think that, except in so far as is necessary to protect industries that are established?

A. Yes. We do not want any established industry upset, that is all; I think care has to be taken about that.

Q. Now, in that recommendation you say:

"....especially on those goods which are tariff protected and where there is no competing industry in the Maritime Province ."

That is the saving clause --

A. Yes.

Q. -- in so far as established industries in this province are concerned?

A. Yes, if it would appear that they might be harmed, and I do not think they will be. I think they would gain more than they would lose.

Q. I think in the brief that is to be submitted to us by Prince Edward Island they suggest that this should be limited to such things as motor cars, trucks, tractors, farm equipment, fishing --

A. Yes, that is along the same line.

Q. Do you not go a great deal further than that?

A. Well, we did not list it., We leave it to those who are implementing any idea of this nature to do that, after proper study.

Q. Are you suggesting, then, that it is a pretty limited number of goods or that it --

A. I think it will be quite a bit; I think it would

apply on quite a few things.

Q. More than agriculture and fishing?

A. Well, it would apply on steel, for example, coming into Sackville from Hamilton. It would apply on glucose coming into St. Stephen from Montreal. Those are articles which are manufactured and used, and which we have to bring down, and which raise our costs.

Q. Can I put it to you this way: generally on consumer goods that are manufactured in the Province of New Brunswick, you think that the 20% reduction should apply on those goods coming east?

A. Yes, and on certain goods needed by our manufacturers too.

Q. Then where there are established manufacturing industries here now, if they are using materials which go into the fabrication or manufacture of their goods, it should apply on those on shipments east?

A. That is right.

Q. In effect, then, are you saying that what industries we have here now we will protect?

Q. Where necessary; if they are established we do not want to upset them. We think it is bad to do that, but we do not like to see them built up with a protection of that nature; we think it is uneconomic.

THE CHAIRMAN: Q. You mean protecting them by not reducing their freight rates?

A. Yes, you see, a high freight rate of competitors coming down from Central Canada competing with one of our

fellows acts as a tariff, in the sense that he can charge the consumer more under that. He adds that on, or can add it on; I don't know that he does.

MR. COVERT: Q. Perhaps I can put it this way: Suppose there is an industry here now making stoves; now if stoves were coming down from Ontario and competing in this market the freight rate should not have a 20% reduction, but on steel going into those stoves coming from Ontario it should have a 20% reduction to encourage that industry which is already established here; is that your position?

A. Well, I would not worry too much about the stoves.

Q. Well, I used that merely as an example.

A. I know what you mean, yes. That is generally what we say.

Q. That is the principle?

A. That is the principle; but I am personally of the opinion that we would not have to worry about the local producer. You get the reduction on that too. I do not like to see them protected, and I think that would be fair enough, almost, to leave that out.

MR. COVERT: Does that answer your question, Mr. Chairman?

THE CHAIRMAN: Yes, I understand.

Q. You say now that it would be fairer to leave --

A. I would not press that point too hard, sir.

Q. That is, to reduce all the freight rates?

A. Yes. We would not press the other point too hard.

Q. You would not press the protection that you mentioned

A. No.

Q. In other words, it is the advantage to the consumer that you are mainly concerned with:

A. That is right, that we are primarily concerned with.

THE CHAIRMAN: Q. Before you leave this question that you have been discussing just now, in connection with this movement eastward, you see, the Act defines in section 4 what is a preferred movement and consequently receives the 20% reduction. Now, this, I understand, would add to the preferred movement by applying to goods coming from the west here. How far would you extend that? What territory would you include in that? You see, the preferred movements are limited to certain express territories here.

A. Yes. Well, under the present Act --

Q. For movements going from here to Central Canada.

A. Yes.

Q. Would you confine this westward reduction to the same area, or would you extend it

A. Under the present Act it would just be on the end of the haul from Diamond Junction and Levis, but if we got our first contention extended to Toronto -- the two are sort of bound together.

Q. Would you take the whole of Ontario? Is that the idea?

A. Well, I will answer that yes.

THE CHAIRMAN: I see.

M.. COVERT: Q. Most of your consumer goods -- I suppose that is a difficult question to answer; you cannot tell. Where are most of your imports from? Are they from the Central Provinces in so far as Canada is concerned?

A. Automobiles and refrigerators and furniture and things of that nature, and even eggs and butter and livestock. We are a deficiency area in that, and bring in from Upper Canada. It may originate from the west, a lot of it, livestock for example; we get western beef here.

Q. But the main area is, I suppose, Central Canada?

A. Yes.

Q. That is the main. You do not say, for instance, that it is needed from all Canada?

A. That is right.

Q. Your position there is really the same as in recommendation 2?

A. Yes.

THE CHAIRMAN: Well, it would greatly extend the preferred movement area.

MR. COVERT: Yes.

THE CHAIRMAN: And it is well to know, then, whether the intention is that it should be carried on both ways. It affects the point raised a while ago about select territory too -- this movement both east and west to be governed by the 20% reduction, and if so how far. I do not mean to say that can be answered now.

MR. BARRY: It would not necessarily affect the select territory, because there is a 20% reduction within that select territory. We do not say extend the select territory in order to apply the 20%.

THE CHAIRMAN: You say extend the preferred movement.

MR. BARRY: Yes, sir, to the market place and back here, on both bases.

THE CHAIRMAN: And beyond the select territory.

MR. BARRY: Beyond the select territory.

THE CHAIRMAN: Travelling in both directions.

MR. BARRY: Yes, sir, but not to enlarge the select territory itself.

THE CHAIRMAN: No; I know what you mean. When I said select territory I meant that the preferred movements now seemed to be confined there.

MR. BARRY: That is right, sir.

THE CHAIRMAN: Now you extend them outside.

MR. BARRY: That is right, sir.

THE CHAIRMAN: That is, you would extend them, you may say, westward.

MR. BARRY: Yes, sir.

THE CHAIRMAN: And have them run in both directions.

MR. BARRY: That is right, sir.

THE CHAIRMAN: I think it would be well to determine how far west.

MR. BARRY: We say Toronto, sir, in both cases, because that is --

THE CHAIRMAN: In both cases?

MR. BARRY: In both cases, because that is,

generally speaking, the area of the center of the market, on the basis that the I.C.R. was built for that purpose, and that under the present rate structure it is not accomplishing its purpose, and that is one means whereby it could be made to accomplish the purpose for which it was constructed.

COMMISSIONER INNIS: I suppose you really mean the Toronto-Hamilton area?

MR. BARRY: That is right, sir. We name Toronto as being the center of it.

COMMISSIONER INNIS: From Hamilton would really be what you mean.

MR. BARRY: Perhaps we could have taken Hamilton, sir -- it would not make any difference -- but just the center of that market area.

MR. COVERT: Q. Now, that would, I suppose, affect shall we say the Steel Company at Sydney; it would make it much easier for steel to come in say from Sault Ste. Marie or Hamilton?

A. That is right.

Q. You say nevertheless there would be an advantage to the consumer, and we do not worry about that.

MR. BARRY: We do not put it as bluntly as that, I think, Mr. Covert.

MR. O'DONNELL: That is the effect of it.

MR. BARRY: Mr. Covert may be putting words in our mouths.

MR. O'DONNELL: That is the end result.

MR. BARRY: I would not want that to be announced as a policy of Government, Mr. Chairman.

MR. COVERT: Q. It might affect local industries in that manner?

A We feel that the New Brunswick manufacturer using steel certainly should be able to get it from Sydney without having to worry about getting it from Hamilton, if the type of steel is made there. As it happens a great deal of steel has to go to Montreal to be fabricated, and then has to come back here. I do not know why that should be, but I know it is true.

Q We now come to Recommendation No. 4 on page 4. You say :

"That the difference between the normal rates and the reduced rates to be allowed should be paid by the Dominion Government from general revenues in order that the cost should be absorbed by the nation as a whole rather than as now, have the incidence of long-haul increases penalize certain areas."

That is in effect an addition. In Recommendations 2 and 3 you say that a subsidy should be paid by the Dominion Government and that it should be absorbed by the nation as a whole?

A That is right.

Q And that would apply even on the 20 per cent to and from, and if the preferred movement was extended as far west as the Toronto-Hamilton area.

A Yes, it really adds nothing. It just says that we do not expect the railways to carry it. That is all.

Q You expect that to be treated --

A: The national economy.

COMMISSIONER INNIS: Q. There are no limits

beyond which you would not go?

A How do you mean that?

Q I was wondering how much you had in mind, as to the amount that might be paid out?

A I believe after a study of the projected cost was made you might have to put a limit on it.

MR. FRAWLEY: Q. You might have to what?

You might have to put in a top limit on the amount that would be paid.

THE CHAIRMAN: Q. And what would become of the balance?

A I suppose we would have to carry it.

Q You mean --

A We in the Maritimes. There might be a limit beyond which you could not draw on federal funds.

COMMISSIONER INNIS: Q. You have not made any study of that?

A No, I have no idea what it would cost. I think it would be considerable.

MR. COVERT: Q. I was wondering if you had in mind relating it in any way to the protection afforded by the tariff to central Canada?

A Pardon?

Q I was wondering if you had in mind at all relating it in some way to the protection afforded by the customs tariff to central Canada?

A Well, we had not thought of that, but you might strike some relation there. I don't know.

Q Because, as I understand it, that is in effect what you are trying to compensate?

A Yes, it might be possible to put a limit, to relate the cost of the tariff to us if you could find that out, with the amount that we get back through this. I don't know - I think it would be rather difficult to work out.

Q I think perhaps it would, but I just wondered if you had anything like that in mind. I suppose it is conceivable that if that preferred movement was extended the subsidy would be multiplied a good many times?

A Yes -- well, not a good many times, but it certainly would be increased considerably.

Q You would have it both ways, and for the additional length from Levis to the Montreal-Toronto-Hamilton area?

A And with Newfoundland in.

Q Yes?

A It would be quite a sum of money.

Q Now, the next recommendation is No. 5 on page 4, and it reads:

"That the Railway Act be amended to direct the Board of Transport Commissioners to consider economic, tariff and geographic factors in their decisions" -- You mean the customs tariff there, do you?

A Yes.

Q "--and to recognize prevailing world market conditions and that it be further amended to prohibit the granting of freight rate increases by the horizontal method."

Let us take the last one first. You think there should be a ~~statutory~~ prohibition as far as horizontal increases are concerned? Your answer to that is yes?

A Yes.

Q Now, I understand that method of granting increases has been in use for a good many years both in Canada and the United States?

A Yes, and every time it has put us into difficulties in the Maritimes.

Q You mean the Maritimes?

A Yes, I am really speaking for New Brunswick.

Q And that is because of the distance, because of the fact that you are an extremity in a country that has a transcontinental railway or two?

A Yes.

Q Now, when the increases have been small percentage increases, has it still affected them seriously?

A Well, they believe so, I think the graph shows that very nicely.

Q But perhaps if they were small they become accustomed to them, industry, and so on?

A Yes, if you put the pressure on slowly you do not mind it so much.

Q But is it the size of the last increase?

A Well, the method.

Q It is the method?

A The method is wrong as far as we are concerned.

Q The method is wrong because of certain fundamental principles, you think?

A Yes.

Q And that it does not recognize that some industries can stand more than others? It is just wrong in principle and should be forbidden?

A Some other method should be found.

Q Now, do you think that each rate should be looked at?

A I suppose the reason for horizontal increases is due to the fact that it is very difficult to get any other method due to the complicated arrangement of freight tariff structures.

Q Do you think that perhaps a horizontal increase would be all right in central Canada but not in the extremities?

A Well, we are not concerned particularly about that.

Q In that same recommendation you say that the decisions of the Board should recognize prevailing world market conditions. Do you mean that freight rates should fluctuate?

A I think what was in mind there was the fact that this increase came at a time when world markets were becoming tight, and that is how that came to be in there.

Q And you would not suggest that freight rates should fluctuate with market conditions?

A No, but when changes are made the Board making the change should keep in mind things of that nature.

Q Then you say the first consideration should be the effect on the shipper or consumer rather than whether or not the railways really need revenue?

A I would not say that. I think the railways have a right to a fair return, but the method of giving it to them must be worked out in such a way that it will not cause some region or some particular industry difficulties. They must do it with some sort of consideration for

what is already established, and horizontal increases do not do that. They hit us harder than they do the rest of Canada, I would say, than they do central Canada.

Q Are you now tying your prevailing market conditions to horizontal increases? I thought you meant they should take into consideration prevailing world market conditions just in dealing with freight rates generally.

A That is true. I do not think that is a particularly important section of that recommendation. It was put in there more because of the present situation where the 21 per cent increase and world market conditions acted together to accentuate the impact of the increase on our Maritime industries.

Q But in making a decision to increase or to deal with rates in any way, that should be a factor which the Board of Transport Commissioners should take into consideration, prevailing market factors?

A Yes, it is one of the factors.

Q Prevailing world market conditions?

A That is only a point.

COMMISSIONER ANGUS: Q. Would it follow from your recommendation No. 5 that the Board of Transport Commissioners ought to have the power to recommend subsidies?

A I think it would if you take it to its logical conclusion, but I do not think we mean it to go that far.

Q Is there any reason for not pressing it to its logical conclusion?

A Oh, I do not think they should have power to recommend subsidies.

BY THE CHAIRMAN: Q. What would they do in a

given case if, for instance, the railways showed a need for higher revenues?

A They might recommend subsidies, but I do not think they should have the power to impose them.

COMMISSIONER ANGUS: Q. But if they recommend them and parliament does not grant them, then what should the Board do?

A They would have to go back and work out some other method. I don't know enough about making freight rate structures to know just what can be done, instead of the horizontal increase, that would be practical. I can imagine it would be very difficult to amend every tariff in such a way to avoid a horizontal increase, considering every industry.

THE CHAIRMAN: Q. World conditions might change very rapidly very often?

A Yes.

MR. COVERT: Q. Then, Professor Love, when we are considering economic, tariff and geographic factors, if they take those various factors into consideration in dealing with rates, might they not have constantly changing rates due to changes in tariffs?

A Yes, they would have to keep adjusting them.

THE CHAIRMAN: Q. Pardon me. Does that include tariffs in foreign countries as well as Canadian tariffs?

A It might, sir.

MR. COVERT: Q. In other words, you say that might change the conditions under which freight should move?

A Yes, we might be blocked from a foreign market

Mr. Love

by a foreign tariff.

Q And therefore it would be necessary to have a rate that would encourage movement into the central Canadian market?

A Yes.

THE CHAIRMAN: Q. I suppose the same would apply to currency difficulties, too?

A Yes, that is one of the main troubles now.

Q Do you think it is possible to have the Board, taking all those things into consideration?

A I recognize it would be very difficult, but I believe the method of horizontal increases is just a way that the Board has of dodging some things that have to be considered. Maybe I should not use the word "dodge", but to get around a detailed examination of tariff structures.

MR. COVERT: Q. Perhaps you can say that was an easy method?

A Yes.

Q But you feel there are many factors that should enter into rate making that are not recognized by a flat horizontal increase across the Board?

A That is right; that is basically what we contend there.

Q It would not worry you if it is suggested that it would really make an economic planning board of the Board of Transport Commissioners?

THE CHAIRMAN: Is the horizontal method not also found objectionable in this brief for other reasons, just on account of the way it operates?

MR. COVERT: Yes.

Mr. Love

THE CHAIRMAN: Regardless of these general outside conditions. That is right?

THE WITNESS: Yes, that is right.

THE CHAIRMAN: In that respect what do you think might be substituted for it? Perhaps you have other witnesses who can tell us.

MR. BARRY : It was lack of our being able to say what exactly would be a substitute that prompted us to make this recommendation as to amendment of the Maritime Freight Rates Act.

THE CHAIRMAN: I thought perhaps you had some expert advice.

MR. BARRY: No, we have not. We would not presume to tell the railways, after the years of experience they have had. That is why, in the absence of any other method, we have to suggest amendments to the Maritime Freight Rates Act to relieve the incidence of it.

MR. COVERT: Q. There is one question I meant to ask, and that is would you agree that rates might be raised across the board as long as the absolute differentials were maintained? Is it the differential?

A Well, we are concerned with maintaining a differential.

Q Because that enables you to keep your market pattern, I suppose?

A Oh, I do not think I could go so far as to say that would be everything, because we do have this competition from people who are not affected by freight rates, particularly the truckers in the central Canadian market.

Q Then there is something a great deal more than

Mr. Love

the differential. In other words, freight rates may rise in an area situated at an extreme end to such an extent that you cannot get into the central Canadian market regardless of the differential?

A That is right.

COMMISSIONER ANGUS: Q. Do you consider that a general increase or decrease in the price level is something that the Board of Transport Commissioners should consider in fixing freight rates?

A Oh, yes, I do. I think it has to be brought in. I believe though that as to freight tariffs it may be possible to keep them stable when other prices are rising if the volume of freight traffic increases. It is a factor that must be considered. It does not automatically follow that freight rates would rise because the price level goes up, but it certainly should be considered.

MR. COVERT: Q. I suggest to you if the Board of Transport Commissioners did take all of those things into consideration that it might result in certain areas having a tremendous advantage over other areas in Canada as far as obtaining the central Canadian market is concerned.

A I think that care has to be taken to keep the thing fair, and that is all we ask.

MR. O'DONNELL: Q. What is that?

A Keep it fair. We are not asking for special advantages. We are asking to be put on a fair basis of competition and not to be given more than we are entitled to.

MR. COVERT: Q. And the Board of Transport Commissioners would hold that balance between the different

regions?

A. They should so construct the tariffs as to keep that in mind, do what they can towards holding it even. As to how they should do that I cannot tell them. It is a problem beyond me, but I believe it would be possible.

Q I ask you because you see in certain briefs in the west they say, "here we are farther away from the central Canadian market and we pay higher rates to get to that market, and the Maritimes on the other hand have a lower rate to start with, and it is then 20 per cent below that."

A Of course, we can always go back to our historical argument, but even leaving that out I think the whole structure of freight tariffs should be arranged to keep our economy levelled up rather than for one area to gain at the expense of others. We are not asking for something to be done for us that should not be done for other people. We do not want to be dogs in the manger about that.

Q You think the Board of Transport Commissioners should have the power to do that, and that they should take these facts into consideration?

A That is right. That is the idea of section 5.

Q Have you any knowledge as to how they are equipped to handle matters of this kind now?

A Probably Mr. Matheson could answer that.

Q In any event, you say if they are not equipped to do it then they should be equipped?

A That is right.

Q Recommendation No. 6 reads:

Mr. Love

"That your Commission cause to be investigated again the feasibility of the construction of Chignecto Canal in the light of new conditions", and so on. Is there somebody who is going to deal with that specifically.

MR. BARRY: The Saint John Board of Trade.

MR. COVERT: There is nothing more you have to add here.

COMMISSIONER INNIS: I was wondering, Mr. Covert, whether we could ask a question as to the meaning of "new conditions". Are you thinking there of the increase in the freight rates?

MR. BARRY: And the entry of Newfoundland.

THE WITNESS: The entry of Newfoundland and the discovery of the iron ore in Labrador, the iron ore deposits in Labrador.

MR. O'DONNELL: Q. You are planning ahead of time?

A Maybe.

MR. COVERT: Recommendation No. 7 on page 4 reads:

" That national highway and national airport construction should be expanded."

MR. BARRY: That is just another general recommendation. The only other one, Mr. Covert, that anybody could speak about is No. 9, and that will be Mr. Matheson.

MR. COVERT: You say that Professor Love is not to deal with No. 9? Is that right?

MR. BARRY: No. 9 is something that Mr. Matheson will speak to. It is referred to in his brief. The other

Mr. Love

recommendations are just general submissions. We have statistics as far as rail crossings, and so on, within the province, and deaths caused, if they are of any interest.

MR. COVERT: Q. With reference to No. 7, national highway and national airport construction should be expanded, I wanted to ask someone whether they felt -- I presume that has reference to the Trans-Canada Highway?

A Yes.

Q Where the province suggests that it should run, because there will be a submission that it should run through Maine.

MR. BARRY: I would have to get a witness later on in the day with regard to that. That has been settled as far as this province is concerned, but Professor Love will not speak with regard to that. If the Commission wish a witness on that, we will have one from the Department of Highways to speak to it.

MR. FRAWLEY: Is the witness in a position to say whether it should run through Calgary or Edmonton?

MR. BARRY: We are not so presumptuous, Mr. Chairman.

MR. COVERT: Q. Would you turn to page 5 of the brief? In the second paragraph at the very end you say:

"If our nation is to be a united one, a national transportation policy, coordinated with other policies must be put into effect."

I was wondering if you wanted to elaborate on that in any way.

A I think what we have in mind there is that feeling which a particular section may have that it is not

getting a fair deal within the whole confederation. If you accentuate that and keep doing things to that area which make them feel that they are not being treated properly you are building up resentment, not only between that area and other parts of Canada, but between that area and Canada as a whole. I think that is important. We in the Maritimes are concerned particularly with keeping Canada united. We want to, and we are willing to sacrifice for it. We have done so, and we do not like to see policies put into effect which create resentment. We like to see anything which will even that out so that we will feel we are really a part of Canada.

Q That is what you refer to in the first part, and then when you say, "a national transportation policy, co-ordinated with other policies", have you in mind co-ordinating with the tariff policy?

A Yes.

Q Anything else in mind?

A Well, the whole trade policy of the country.

Q National transportation policy should be co-ordinated with the tariff policy and the whole trade policy of the country?

A Yes.

Q Perhaps it would be unfair to ask you if you have any suggestions as to how that might be done?

A Well, the Board of Transport Commissioners will have to keep those things in mind when they authorize horizontal increases.

Q It is the factors you were referring to in the recommendation. Now, some briefs that have been submitted

to the Commission in the west have pointed out that the main thing that was necessary was equalization of freight rates. There may be some differences of opinion as to what equalization of freight rates means, but your suggestions would certainly lead one to believe there could never be equalization of freight rates under your proposals?

A Not if it meant charging the same number of cents per ton mile, no.

Q Or if it means giving preferred rates to depressed areas or regions?

Q Equalizing the impact of freight rates, but not the rates themselves. I do not like to get into that. That is a technical term, equalizing freight rates.

Q In the first paragraph on page 5, about the fourth line from the end, you use the phrase, "levelling off". You say:

"The worst fears of persons opposed to Confederation at times appear to have been realized but safeguards promised at the time and often put into effect have not always accomplished their purpose and the railways with their practical monopoly are a means whereby a 'levelling off' can be accomplished."

What do you mean by that?

A It simply means the railways should be used as instruments of national policy, and where there is an area which is relatively depressed with regard to other parts of Canada, that the railway should be used to help to bring the economy of that area up to the level of the other

parts. It is just a reiteration of the idea of using the railways as instruments of national policy.

Q On the same page in the paragraph before the last one you say:

"We submit that if the railway on account of high freight rates, does not accomplish its purpose, then the rates should be lowered."

I wonder if you would clarify that. I do not quite follow what you mean by "accomplish its purpose." It is not the railway's purpose, is it?

A What is meant there, I suppose, is if the freight structure is such that this levelling off is not brought about.

Q That refers back to the levelling off. Is that it?

A That is the interpretation I put on it.

MR. BARRY: It should be "this purpose".

THE CHAIRMAN: "Have not always accomplished 'this' purpose instead of 'their' purpose.

MR. COVERT: It should be its purpose.

THE CHAIRMAN: Where is it?

MR. COVERT: It is in the bottom paragraph.

Q. And on page 6 you have made a citation. What is that? It is the "Canadian Historical Review on Railways and Confederation in New Brunswick. What is the name of the publisher?

A. If it is published in the Canadian Historical Review, it is an article by Dr. Bailey, of the History Department of the University of New Brunswick; an article on railways and confederation.

Q. And what is the year?

MR. BARRY: 1941. I will be more accurate as to that and make sure. But, if I remember correctly, that is the year. However, I will check it.

THE CHAIRMAN: You are talking about Appendix 4?

MR. COVERT: Q. Yes.

A. I can get that for you.

Q. Now, turning to page 7, paragraph 1, you say: ". . . that railways must not be judged on a commercial basis alone, but must be treated as instruments of a basic national policy to be used for the public good. . . ."

I would like to ask you this; I do not want to repeat, but do you think that freight rates play such an important part in the marketing of products that, by reductions in freight rates, they can make it an instrument enabling less fortunate areas of Canada to market their products on a competitive basis in the central Canadian markets?

A. Yes. It is not the only factor, but it is one of the factors which must be kept in mind.

Q. Yes. And if other factors in production costs increase to such an extent, is it not conceivable

that your rate factor would be so small that reductions
A.
in that rate factor -- I think there are limits beyond
which freight rates should not be used to subsidize an
uneconomic industry. If an industry's production costs
went up beyond reason, then it might have to collapse.
I do not think freight rates should be used to keep it
going when it should not be kept going.

Q. But you say that freight rates are such an
important factor that the freight rates can be used as
a national instrument?

A. Yes.

Q. And you think it is a logical instrument to use?

A. Yes.

Q. And you know of no other substitute now?

Or, perhaps, no other more logical substitute?

A. I do not think it is the only thing that could
be done to adjust the national economy; but I do think
it is one of the important factors which must be kept in
mind.

Q. You would not want to suggest an alternative
other than the railway/structure, the freight rate
structure?

A. No. I do not think you can find an alter-
native to it. I think it is there.

Q. And therefore it must be used to adjust these
unfortunate uneconomic disadvantages?

A. Transportation costs must be, yes.

Q. And on page 8, in the first paragraph, at
the end, you say:

"It is probably true, however, that the Maritime provinces are not great users of the railways for long haul purposes on export goods, because much of the export business of the Maritime provinces has been to overseas and American markets, but under to-day's conditions of world trade, it seems fair to assume that the Maritime provinces will be required to use the railways for export purposes to a great degree in order to obtain access to the central Canadian market."

THE CHAIRMAN: What is the meaning of that word "export", there? It may have a different meaning?

MR. COVERT: Q. When you use the word "export" there, you mean, just out of New Brunswick?

A. Yes.

THE CHAIRMAN: Q. That is, the second time you use it?

A. Yes.

MR. COVERT: Q. And including Canada, as your export trade?

A. Yes.

Q. Have you any reason to believe that you are in a worse position in this respect than the other areas of Canada, such as the West?

A. I cannot speak for the other areas. But I think there is definitely a tightening up, for example, in the lumber business.

MR. BARRY: The actual cases you will find in the ones cited, after the details of this general statement.

MR. COVERT: You say that the cases he gives

for these are potatoes and lumber?

MR. BARRY: We obtained figures, so far as possible, to confirm the general statements on which you examined him, and which are contained in the particular cases dealt with.

MR. COVERT: And it is this part on manufactures, potatoes, and coal; those are the instances; and they do not intend to use any more than these?

MR. BARRY: They just confirm the general statements on which you have already examined the witness. They give actual examples of what has happened.

COMMISSIONER INNIS: Q. Have you a better word than "export"? You mean, shipments to central Canada. That can hardly be called export? Or, is that what you mean?

A. Maybe that is our provincialism showing up.

THE CHAIRMAN: Q. You do not mean export there, the second time you use it?

A. No, not in the sense of foreign markets.

COMMISSIONER INNIS: Q. You mean for shipments?

A. For shipments to central Canadian markets.

MR. FRAWLEY: Q. When you say "long haul", you mean about 500 miles?

A. Yes.

THE CHAIRMAN: Q. Five hundred miles or more; is that right?

A. Yes, sir.

MR. FRAWLEY: Q. It is 500 miles to Toronto, is it not?

A. It is more than that to Toronto, I think.

MR. O'DONNELL: Q. Compared to your 2500 miles or more, Mr. Frawley?

A. It is not so far as it is from Alberta to Toronto.

MR. COVERT: Q. Now, would you turn to page 11, and to the third paragraph, wherein you mention the Model MJ-7 Frigidaire, the electric refrigerator, delivered to the customer, sells in Fredericton for \$343, and in Toronto for \$339. Would there not be a much greater difference in the freight rates than the \$4 indicated by the difference in these selling prices?

A. No. There is a company price on that. The cost of getting it down here is probably partly absorbed by the \$339 price; but I do not know. However, that is the difference.

COMMISSIONER INNIS: Q. You mean that it is probably an administered price?

A. It is a company-set price.

MR. COVERT: Q. Perhaps there has been some absorption to equalize the freight rate?

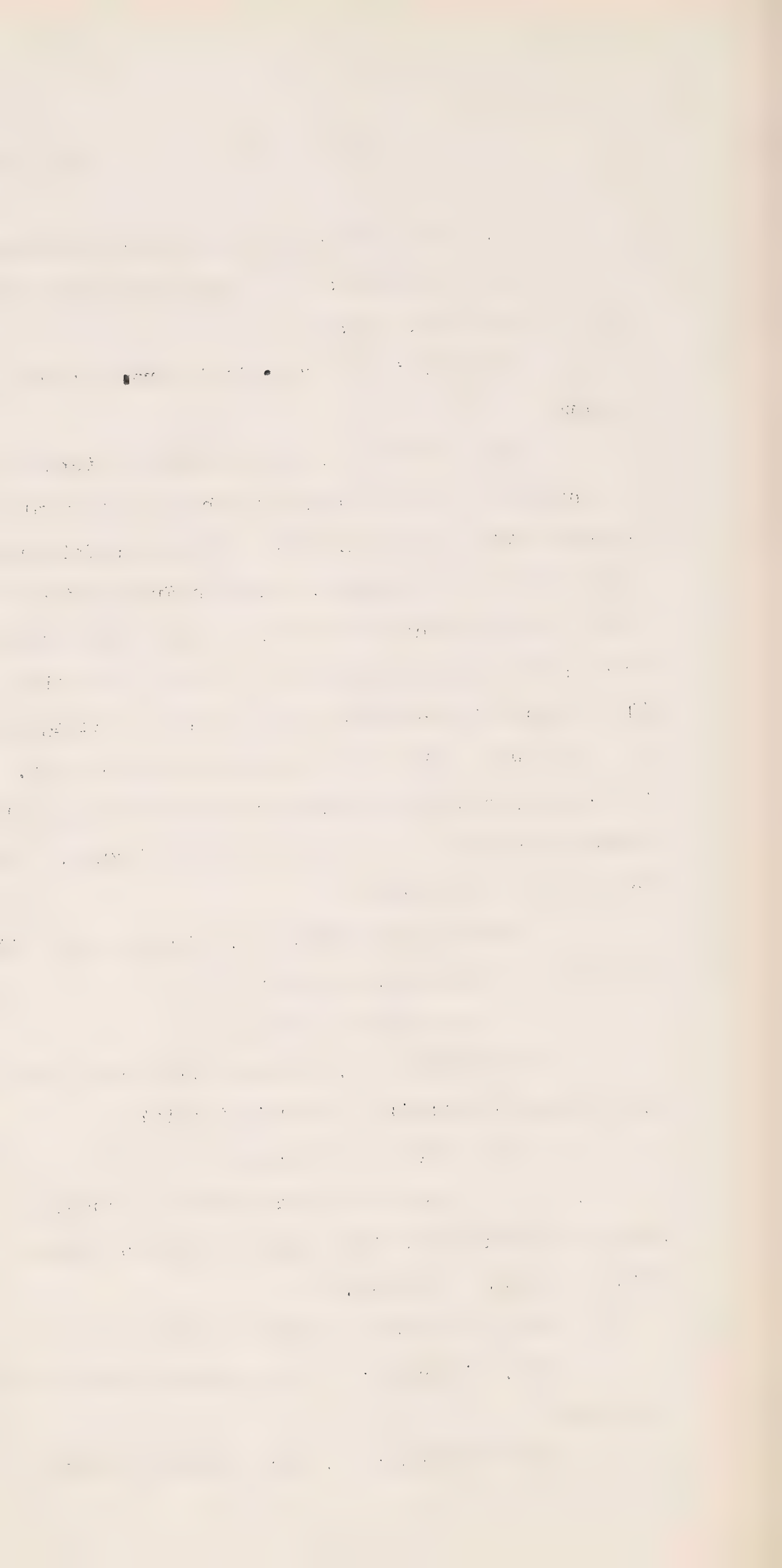
A. That could be possible.

Q. Or it might be an adjustment, I suppose, to make up for the fact that, right across the border in Maine, the price is \$219.75?

A. No, it is not for that reason.

MR. O'DONNELL: It is for the 800 odd miles difference.

THE CHAIRMAN: Q. The Canadian customs, of



course, would intervene there? I do not know what the Canadian customs tariff is.

A. It is about 20 to 25%.

MR. O'DONNELL: Q. That Frigidaire comes from Oshawa, does it not?

A. From Leaside, I believe, which is outside of Toronto.

MR. COVERT: Q. Would the price, plus the customs, not equal the freight rates?

A. I could not answer that. I feel that it is higher because of the currency restrictions. They are priced as high as they can get, even with the currency restrictions off.

Q. With the currency restrictions, the price goes much higher?

A. That is my belief, but I am not sure of it.

THE CHAIRMAN: Q. In the case of these articles, such as the Frigidaire, the difference in the price between Fredericton and Toronto is \$4. Do you think that these prices should be equalized?

A. That is a negligible spread.

Q. Yes, but you give it as an example?

A. These examples are intended more to show the difference between what we pay here for these goods made in central Canada under the tariff, and what we would have to pay from the State of Maine, without the tariff.

Q. It is the customs tariff that you are talking about here?

A. Yes; we are showing how our costs are put up by that.

COMMISSIONER ANGUS: Q. Are these figures before the 21% increase?

A. No. These figures are after the 21% increase. These figures were just obtained a month ago.

MR. COVERT: Q. And you suggest, in relation to the tariff policy making a higher price, a national policy, such as the foreign exchange control, also affects it?

A. Yes.

THE CHAIRMAN: Q. This paragraph begins by saying that these examples illustrate this contention -- that is, the preceding contention, which has all to do about freight rates?

A. These prices on many articles of common use are higher here than in other parts of Canada and in many parts of the United States. I can see your point. It is not too clear, the way it is written.

Q. You say that they object to two things: one, that the price is higher here than in central Canada; and you say the difference is \$4. Do you think that that difference should be removed, and that it should be the same price in Fredericton as in Toronto -- since you give us an example of hardship?

A. Yes. We feel that some absorption of freight charges would protect our industries, and they should be made either in the price or by the company, rather than passed on to the consumer down here. That example of \$4 in a purchase of \$339 is small; but there are other cases where the freight charge is much greater.

COMMISSIONER INNIS: Q. Would it not illustrate as well the principle of absorption?

A. It may be that the railway men can say what the freight on that is now. I do think that the railways carry it very reasonably.

MR. O'DONNELL: . You get about 800 miles difference in the distance, too?

MR. BARRY: There are substantial illustrations given on page 10.

MR. SPENCE: Q. What would the weight of a stove be?

A. Around 200 or 300 pounds. I think stoves and refrigerators weigh about the same.

Q. The rate would be about \$2 for 90 pounds. That would be \$4, as a spread.

Q. I am not sure that was the absorption there. I know that the charge for carrying it certainly was reasonable. I remember that, when I found those figures.

MR. O'DONNELL: Q. You mean, much lower than the American equivalent?

A. That is right.

THE CHAIRMAN: It might be better, in order to follow up this illustration, for us to find out how much this Frigidaire would cost here if it was brought in from Houlton, Maine, or wherever it is. Since we are attacking the customs tariff, we should see just what it is.

MR. BARRY: I do not know. We say that a combination of customs tariff and high freight rates creates circumstances from which we require some relief.

THE CHAIRMAN: I think it would be interesting

to know how much this \$219 article would cost if it were bought here and the customs tariff on it was paid. I would have to compare it with the \$343 which you pay. Can you find that out for me?

MR. BARRY: We could, until the foreign exchange restrictions were put on, which would create a theoretical situation. So we could not give a proper answer to it.

THE CHAIRMAN: Even so, it would be interesting to know how much it would cost.

MR. COVERT: You could easily find out what the duty was.

MR. O'DONNELL: And you could find out what the foreign exchange was, provided they let you have it. But the chances are they would not let you have it.

THE WITNESS: And we have an excise tax as well.

COMMISSIONER ANGUS: Q. You mean a sales tax?

A. Yes, that is the tax I mean. That is over \$115, in the case of a Chevrolet car.

MR. O'DONNELL: Q. And that applies all over Canada?

A. Yes, that applies all over Canada.

MR. COVERT: Q. At the top of page 11 you say:

"The point we wish to make is that the New Brunswick farmer must pay more for his machinery because of the freight charges than a farmer located near the factory."

I would be interested to know if you can supply the Commission with any figures showing how many tractors are purchased here each year, for the past few years? To what extent do they use tractors in this province? Are these figures readily available?

MR. BARRY: The railways should be able to answer that because they bring them here.

THE WITNESS: Practically every farm has one, if they are any good; one or two.

MR. COVERT: Q. They do use them extensively?

A. Oh, yes; these are all standard pieces of equipment.

Q. But you have not got statistics to show; and they are not registered, are they, with the Department?

A. The farm implement companies could probably tell us. No, they are not registered.

MR. O'DONNELL: Q. Tractors appear to be registered, according to the return of the Minister of Public Works?

A. Farm tractors?

Q. Yes, 2,573 of them here, according to the latest figures.

A. Those might be highway tractors.

MR. BARRY: Q. Farm tractors are not licensed?

A. We used these figures to illustrate how our costs of production here are high, not that the railways are charging too much.

MR. COVERT: I wanted to show how serious this problem was, other than freight rates on imports.

A. It builds up the farmers' costs. He has to pay more for his equipment than his competitor who is more favourably located,-- more than he would have to pay.

Q. You say that in addition to paying the higher

price, because of the tariff policy, he also pays a higher freight rate?

A. That is right.

(Page 4057 follows)

Q. On page 12 you say, beginning on the second line of the page:

".....the general trade policy of Canada makes possible such price spreads between New Brunswick and the State of Maine...." ---

THE CHAIRMAN: Before we go to that, may I ask one more question on that paragraph dealing with refrigerators and automobiles? You say in the brief:

"Automobiles cost about one third more in Canada than in the United States and it is not the difference in taxes which causes the spread."

Do you mean that?

A. Well, sir, you so often hear that it is because --

Q. I thought taxes had a great deal to do with it.

A. They have something to do with it, but it is not the only factor.

Q. Take the 8% excise tax alone?

A. Yes, that makes a difference of around \$115 but the spread is \$400, and we so often hear that ^{it} is the excise taxes here, and it is a good deal more than that. That is the point we want to make.

MR. COVERT: Q. What else do you think it is?

A. I think that our Canadian manufacturers charge more than they should to the consumer. If the tariff protection was not on I think they would charge less, currency difficulties being out. That is my personal opinion.

MR. O'DONNELL: Q. You have not figured the various taxes:

A. Not all of them.

THE CHAIRMAN: Q. The protective features of our own customs tariff? -- ?

A. Yes, that is right.

Q. -- are more to blame than the other taxes?

A. That is right.

MR. COVERT: Now, coming back to the question at the top of page 12, do you think the freight rate structure is a proper instrument for eliminating spreads of this nature between --

A. It is one instrument which we feel --

Q. It is one instrument, and it should be used for that purpose?

A. That is right.

Q. That is from the consumer point of view?

A. Yes.

Q. And that is carried on about in the middle of that same paragraph, where you say:

"Any national transportation policy adopted, to be truly national, must have this condition as a basic consideration;"

and this condition is the --

THE CHAIRMAN: Customs tariff.

MR. COVERT: Customs tariff.

THE WITNESS: Yes.

MR. COVERT: Q. And you go on to say:

"....transportation for good or ill, is a key instrument in developing and maintaining national unity, and it must be related to economic, political and geographic considerations."

A. Quite.

Q. And you think those matters should be left board rather than to Parliament?

A. Well, the powers that the Board has -- the Board should not be a final board of arbitration whose decisions are final. I think they should be subject to review and control by Parliament. I do not know whether I am interpreting your question correctly.

Q. Well, for instance, it would seem to me to be indicated that you say that the Board should have broad powers; they should take into consideration matters of geographic and economic disadvantages, so that if an application for an increase in rates were made they might say, "No", or could say, "No, this will affect this certain area",?

A. That is right.

Q. "Therefore there will be no increase in that area."

A. That is right. I am not suggesting that this Board should be not subject to some control. It should not be a final Board; it should be subject to the control of Parliament; but their powers should be widened to consider those factors.

Q. Their powers should be widened?

A. I believe they now have the power -- I am so told by legal experts -- but they just do not use it.

Q. And you want to make sure that they not only have the power to use it but that they do use it. I think that might be important. You say, "...related to economic, political and geographic considerations" -- that the Board should take these things into consideration in arriving at decisions?

A. That is right, we think they ought to.

Q. And it should not be left to Parliament, as was done in the case of the Maritime Freight Rates Act; Parliament recognized the disability down here, after a commission, and passed a specific act to remedy a situation. You go so far as to say that in rate applications the Board can take into consideration these conditions?

A. They should do that; it would save Parliament having to move; but where they do not, I am not suggesting that Parliament should not be able to step in.

THE CHAIRMAN: The province, do you say?

A. Parliament.

MR. COVERT: Q. At the very bottom of the page you say:

"We do not like subsidies whether direct or indirect, but they are part and parcel of our whole economic and political framework and we have no alternative suggestion other than the freeing of trade barriers, an action which seems unlikely but which we feel would solve many of our problems of buying and selling."

You put it shortly, then, free trade or subsidies?

A. Yes, that is putting it bluntly. Maybe a generalization of that nature is dangerous, but that is basically what we feel.

Q. And perhaps you would go further and say you recognize that free trade might hurt Canada as a whole, and this part of the country is anxious to

build up Canada, so you are saying, "We will forego free trade and fix it up with freight rates and subsidies"?

A. That seems to be the only alternative.

Q. Now, on page 14, in the third paragraph, the very last sentence, you say:

"The railways are pricing themselves out of business." Now, I think you are referring to a particular example there, the case of freight charges on pulpwood?

A. Yes.

Q. And you say this is an example of a case where the railways are pricing themselves out of business. Now, you go further, and say when they have these horizontal increases they are pricing themselves out of business. Do you think they are generally pricing themselves out of business, or do you confine it to this one example?

A. I am using that as an example where high rates will have that effect. That is an example illustrating it. I suppose they know that as well as we do.

Q. But you say that this can be done -- generally, that if you raise the rates too high you just price yourself out of business, because a competitor comes in and takes it

A. That is right -- substitute method.

Q. Now, in connection with that paragraph, have you any knowledge of the detail, for instance that \$9.60 rate? From where to where?

A. That was taken from central New Brunswick to Quebec. I cannot give you the exact station, but I would say it is probably around Fredericton.

Q. Central New Brunswick to Quebec City?

A. Yes; Anglo-Canadaian.

MR. COVERT: Well, is there someone to deal with that?

MR. BARRY: Yes.

MR. COVERT: Would you just make a note of that, Mr. Barry, that on that paragraph we would like more information?

MR. BARRY: I have that figure, Mr. Covert, on the Frigidaire. The duty is $22\frac{1}{2}\%$, which, applied to the invoice value, amounts to \$49.44, and the 8% sales tax applied to that total would give a retail of \$290.72, but, as the customs agent advises, the importation of that article is prohibited.

THE WITNESS: Yes.

MR. BARRY: With the duty, with the sales tax, we could buy it at \$290, but because we are not allowed to buy it the price is \$339.

COMMISSIONER INNIS: Q. When you speak of a cord of pulpwood weighing 4,000 pounds, is that green, dry, peeled or --

A. Well, it would vary; it varies very greatly.

MR. BARRY: Yes, it does; it varies 10%.

THE WITNESS: That was just struck as an average weight.

COMMISSIONER INNIS: Q. Was that an average or a maximum?

A. I am not sure; there may be some pulpwood here men/who could tell us that.

MR. COVERT: Q. Pulpwood is moved on a weight basis, is it, not so much per cord?

A. No, I think it is so much per cord; I have forgotten. I understand it is on a weight basis. I can dig that up, but I don't know where it is now.

MR. COVERT: Is there someone going to deal with long lumber?

MR. BARRY: Well, Mr. MacKay is here.

MR. COVERT: And the question of coal?

MR. BARRY: Yes, we have two gentlemen here about coal, Mr. Tooke and Mr. Clemens.

MR. COVERT: They would be able to deal as well with the matter of subsidies on coal and this question of the even break and so on referred to on page 21? It deals with the difference in subventions.

MR. BARRY: Oh, yes. Well, Professor Love is familiar with that, the subventions on coal.

Q. You have your brief on the subventions on coal?

A. Yes.

MR. COVERT: And also on the question of the regrouping of the freight rates and so on; would Professor Love be the man to ask?

MR. BARRY: Q. Do you want to speak to that, or do you want Mr. Tooke and Mr. Clemens to speak to it?

A. There may be some questions I could not answer on it; I don't know.

MR. COVERT: My idea was to shorten the thing.

Q. Then will you turn to page 20 of the brief. You suggest two remedies that would assist in solving your difficulties in connection with the coal industry. The basic difficulties are set out on page 18; I think they might be summarized as showing the nature and type of the deposit, there is an inferior grade of coal, and

it is centrally located and has no water to get it to the markets, and I think perhaps in your basic difficulties you are also including your method of mining?

A. Yes.

Q. Your average per ton?

A. Yes.

Q. Per man; that is, your average man-day production?

A. The seams are narrow and hard to mine; the seam is thin and hard to mine.

Q. And your limited market because of the quality of the product in competition ^{with} a field that has a slightly higher grade coal, and also has the water route and is not confined to railways?

A. That is right.

Q. Those are your basic difficulties?

A. Yes.

Q. Then on page 20 you set out two remedies; is that correct? One is a regrouping of the freight rates from the field, and the other the establishment of better Canadian National connections?

A. That is right.

Q. Now, on the question of the regrouping of the field, your problem is that you are treated in the same manner as the coalfields in Nova Scotia; is that right?

A. Yes.

Q. For freight rate purposes; and you are suggesting a different treatment because of your economic and geographic disadvantages of this field?

A. Yes. It is not similar to the other field; it is really a separate field, and should be classed as such for rate grouping.

Q. And some special treatment given in connection with it?

A. Yes, you could put it that way.

Q. Have you any precedent in mind for anything like that: I was wondering if you were thinking of the treatment of the lower grades of coal in the west?

A. Yes, I know about those. I don't know whether they are identical, whether the case would be identical or not. I think our field is more separate than the fields in the west that you are referring to.

Q. I think there is special treatment afforded, if my memory serves me correctly to the Drumheller area?

A. Yes.

Q. Where the coal is of lower grade?

MR. SINCLAIR: No, it is the other way around; the Saskatchewan field has 5%.

MR. COVERT: Q. The Saskatchewan field as compared with the Alberta field; one is lignite coal and the other is bituminous. Now, I was wondering if you had something in mind --

A. Well, I think it is analogous, but I did not have that in mind when I wrote this, but I think it is --

MR. O'DONNELL: The fields you are talking about are the local fields?

THE WITNESS: Yes. I know about the case you

mention. I think, regardless of what was done there, this is still the case, although if it is similar, why, that is all right. I am not familiar with it.

Q. Then you speak of a distinct and separate field; what particular advantages would flow from that?

A. Well, we feel our producers would be able to get into the New Brunswick market, which is their natural market, just local, at least on an even break with coal from other parts of the Maritime Provinces.

THE CHAIRMAN: Q. That is, you are looking to the New Brunswick market alone?

A. Yes, we are thinking of that more than anything else, although we would like to get into the Quebec market too, if we could get our coal up there.

Q. Do you send any to the Quebec market now?

A. Very little.

Q. But some?

MR. COVERT: Q. Is that a logical market?

A. In Quebec?

. Yes.

A. I think there is. Mr. Tooke might answer that better than I could.

MR. TOOKE: Not at the present time.

THE WITNESS: It is a local matter.

MR. COVERT: You use coal here a great deal for the development of power, don't you?

A. That is right.

Q. Your main market is for domestic use, and when you talk about extending the market to Quebec, I was just

wondering if you had any views as to whether or not that was a logical market for your product, in view of the fact that you must compete with a better product?

A. Our producers would like to get into it, but it seems rather difficult with the grade of coal we have.

Q. Is it a sensible thing, do you think, to encourage a market in Quebec when you can hardly supply your own local market?

MR. BARRY: I do not think the witness was primarily concerned with Quebec, Mr. Covert; it is primarily local. He said we would like to get into Quebec, but that is rather an afterthought.-- primarily New Brunswick.

MR. COVERT: Q. What do you say, then, is your main thought? To keep the New Brunswick market, and that as conditions now prevail someone else comes in and takes the New Brunswick market away from you?

A. Well, we are frightened of that, yes.

Q. Now, you have a footnote (3) on page 19 dealing with subventions.

A. Our contention there is that in the matter of aid to coal mines New Brunswick was not treated on an equitable basis with Nova Scotia.

Q. The basis is so much per ton-mile, is it not?

A. Well, those subventions were paid not only in freight, but there were direct grants, I think.

Q. Is there a difference in treatment in the direct grants or a difference in **treatment** in the subventions in freight, or both?

A. Both.

Q. On the freight was it on the basis of so much per ton-mile?

A. I am not sure. I would say yes to that, but I am not too sure.

Q. Then if you compared it in amounts, the farther you have to ship your coal, that would make the subventions appear larger in dollars, would it not?

A. Yes, that is true.

Q. What I am trying to find out is --

A. If it is on a per-ton mile basis, that is right.

Q. What I am trying to find out is what was the difference in treatment and what were the reasons for it, or do you know that?

A. No, I do not. I cannot understand the reasons. It looks just like rank discrimination on the face of it.

MR. O'DONNELL: I think they have a lot less freight to pay here than they have in Nova Scotia, and that was taken into consideration in the subvention.

MR. COVERT: That was my understanding, Mr. Chairman, that the difference was due to the fact that they must ship a greater distance and they have more freight to pay, and therefore the subventions are bigger, and I was wondering --

THE WITNESS: Well, there is a difference from 37¢ in 1931-42 to \$1.42 in 1936-46, while we got 5¢ and 67¢ for similar periods.

MR. O'DONNELL: I am informed that the rate from Minto to Montreal is \$2.62 a net ton, whereas from Cape Breton to Montreal it is \$4.02.

THE CHAIRMAN: Yes, but is there any question of the Montreal market --

MR. O'DONNELL: The Quebec market is what they are speaking of, I think.

THE WITNESS: He is talking here about the difference in treatment that the Dosco and the Sydney Mines, Cape Breton Mines, seem to get to us, much more generous treatment than the Minto operators in the way of subsidies, freight subventions and bounties. As to why, I cannot answer that; it just seems to be unfair. That is the point we are making. The reason may be, as you say, because the freight charge was higher, and it was based on a ton-mile basis, which would give them a higher amount.

MR. COVERT: It seems to me it is very important in establishing your case that that should be clarified. You say that you are not being treated on the same basis. Now, if there is a difference in the treatment, I think the Commission should know about it and know the reasons for it, ^{or} whether there are no reasons for it.

THE CHAIRMAN: Well, it ought not to be difficult to ascertain the reasons for this, the amount of these subventions, subsidies and bounties, as they are called.

MR. COVERT: Have you anybody who is going to deal with that?

MR. BARRY: We have two coal men here.

THE CHAIRMAN: Q. There are three words used -- subventions, subsidies and bounties; are they separate matters?

A. Yes; there is a freight subvention and a production subsidy and a coke bounty.

Q. What is that?

A. A freight subvention and a production subsidy and a bounty on coke. There may be some other type of bounty too. I think Mr. Tooke could handle this much better than I can.

THE CHAIRMAN: Well, we shall have to find that out. We will adjourn now until 2:30.

---The Commission adjourned at 1:00 p.m. until
2:30 p.m.

(Page 4073 follows)

Fredericton, New Brunswick,

July 18, 1949

AFTERNOON SESSION

MR. BARRY: Mr. Chairman and gentlemen: I have the reference to the article in the Canadian Historical Review published in the issue of December, 1940.

THE CHAIRMAN: Pardon me a moment. Where is the reference or quotation found here?

MR. BARRY: It is in appendix No. 4 at page 44 of the brief.

THE CHAIRMAN: What is the reference?

MR. BARRY: Volume 21, issue December, 1940, Canadian Historical Review, and the subject of the article is, "Railways and Confederation in New Brunswick."

MR. COVERT: Who is the author?

MR. BARRY: The author is Mr. A. G. Bailey.

R. G. LOVE, Recalled

THE WITNESS: That is not the full title of the article.

MR. COVERT: Q. On page 21 of your brief, Mr. Love, in the paragraph immediately preceding the heading, "Better Canadian National Connections", you say:

"It is emphasized that there is no suggestion that the rates on competing coal be raised, but that a new grouping, based on actual conditions and keeping in mind the type of coal, be set up, and that care be taken to give New Brunswick coal at least an even break in its natural markets in New Brunswick and Quebec."

I should like to find out what you mean by the words "even break" there. Are you referring to the subsidy treatment or has that to do with the grouping?

A This has to do with the grouping. We merely refer to the subsidy as indicative of the fact that our area did not seem to be given the same consideration as competing areas during the war.

Q Now, just how do you regroup so as to give an even break?

A So that Minto coal could move to Saint John, and keeping in mind its quality, the number of B.T.U's per pound, that it could sell in Saint John at least on an even break with coal from Nova Scotia.

Q You would effect that by a reduction of freight rates on New Brunswick coal in New Brunswick?

A Yes, where necessary adjust the rate so that we could get in at least even with our competitors.

Q That is what I wanted to find out. How do you determine the amount of reduction in the freight rate to give this even break?

A Well, you have to consider the quality of the coal.

Q When you say it is 10 per cent or 15 per cent lower in quality that would mean a 10 per cent or 15 per cent lower rate?

A The rate would have to be adjusted in such a way that it would pay the man in Saint John buying coal to buy Minto coal, even though it was an inferior quality, than to buy coal from Sydney, let us say.

Q It would also have tottake into consideration

the competitive rate or lower rate arising from shipment by water rather than by rail?

A Well, if the water competitive rate made the Nova Scotia rate low that would have to be considered. That is right. I don't know that it does.

Q Would it take into consideration the question of the relative cost of production?

A No, we were not thinking of that.

Q Just the two things, the type of coal, the lower grade, and the freight rate or competitive rate by water?

A Yes, we want to make it possible for a ton of coal in Minto by the time it is paid for to give the consumer the same value in B.T.Us. as a ton from the Nova Scotia mine.

Q And it could be done by putting in a new grouping for the Minto area?

A Yes, we feel that is the easiest way to effect it rather than to group it as at present under the general Maritime area. The changes would be very small.

Q When you say "very small" --

A Well, the reductions would not have to be very great in order --

Q Have you any idea what that would entail? Have you any specific figures, or can we get them?

A I might be able to give that. I do not like to get into quoting rates because it is ^{so} complicated that I might get mixed up.

Q Is there someone else who can deal with it better?

A I think so, yes.

Q On page 22 in the first complete paragraph at the

top of the page you say:

"It is proposed that the spur line from Hardwood Ridge to Minto be made a branch line, involving bringing it up to branch line standards and making Minto a station stop from which rates would be quoted. It is further proposed that interswitching privileges be set up at Minto between the C.P.R. and C.N.R.

Has that matter been taken up with the two railways?

A Interswitching or the spur line?

Q Both.

A As far as I know it has not been, no.

Q It has not been?

A As far as I know I think it is correct to say it has not been.

Q Have you any estimates, for instance, of the cost of making this spur line into a branch line, any additional cost?

A It would mean a station at Minto, and improving the bridge over Newcastle Creek, and I suppose reducing grades to some extent. I do not know what the cost would be. I would not think it would be very great.

Q And as I understand it all this is for the improvement of the situation with respect to New Brunswick coal?

A That is right.

Q You are not suggesting here that this indicates any lack of cooperation between the C.N. and C.P.?

A No. I don't know. There may be, but I am not suggesting it.

THE CHAIRMAN: Mr. Covert, as to what is suggested

here is it something that the Board of Transport Commissioners can grant if an application were made to them under the Railway Act?

MR. COVERT: I do not think there has been --

THE CHAIRMAN: Under the Railway Act has the Board any jurisdiction over this matter?

MR. COVERT: I understand there is some difficulty. I think one of the difficulties is - I am not sure of this - that an interswitching rate is not given unless it is within four miles of another railway line. I think that is one of the problems involved here, but I gather that the witness is not the proper man to ask.

THE WITNESS: I am not aware of the legal or technical angles.

MR. COVERT: I also think that one of the problems involved here is the fact that this is a privately owned line.

MR. BARRY: Spur.

THE WITNESS: It is owned by the C.N.R. but operated by the Miramichi Lumber Company, I believe.

THE CHAIRMAN: Is it what you call a provincial railway?

MR. COVERT: I wanted to find out more about it if I could.

Q Do you know the history of this line?

A Well, I know it in general, but we have a witness here who does know it.

MR. COVERT: Mr. Chairman, My impression was that we should leave that part until we have a witness who is more familiar with it.

THE CHAIRMAN: All right.

MR. COVERT: Q. In the second paragraph on page 23 you say that there would be increased tonnage over the line warranting the expense involved. Have there been figures prepared to substantiate that?

A Yes, we have the figures here in the brief.

Q That is at the bottom of page 22?

A Yes.

Q That gives us the present tonnage moving, and your planned increased production, at the bottom of page 22?

A Yes, we feel that about twenty-five cars a day, at least twenty-five cars, would move over the line if it were brought up to branch standards, and our suggestion carried out.

Q Which would give you, I take it, an increased tonnage of 80,000 to 100,000. In view of the low grade of coal and the position of the field, and the position of its competitors, is that a feasible thing to do, to plan to increase the tonnage when it is apparently an uneconomical operation now?

A You mean from the Minto field?

Q Yes. Perhaps I am wrong.

A I would not say that. I would not say it was uneconomical. The more tonnage we can get out of there the better off the area will be.

Q And you think special rates should be put in, and these facilities provided to encourage increased production in this area?

A That is right.

Q Despite the fact that it suffers from severe competition and location?

A That is right.

Q When I asked you about the figures I had in mind that you say that it would undoubtedly warrant the expense involved?

A Yes, we feel that 25 cars a day moving over a six-mile branch line would warrant making it a branch line. There are a good many branch lines that have less traffic than that. I would say that is fairly good traffic for a branch line.

Q Perhaps I have not made this clear yet. When you say it would undoubtedly warrant the expense I had assumed that you had figured out what the expense would be, and that you had made calculations with respect to the extra movement. Perhaps you have not done that?

A Not in dollars and cents, but it would appear almost a fair conclusion to make that 25 cars a day would warrant making the improvements necessary to that line. I think it almost follows.

Q On page 24 at the end of the first paragraph before appendix A you say:

"This type of increase" --

Perhaps I should take it a little further back. You say:

"Already 60 per cent of the coal being delivered to the Power Commission's plant at Newcastle Creek is moving by truck."

A Yes.

Q Is there any suggestion that this has taken place since the 21 per cent increase, or that the amount

has increased since then.

A Well, the rate was 20 cents a ton, and it changed a 30 cent rate to 50 for a very short haul, and as a result of that it seems like an unwarranted increase in the way the thing happened to be applied, where it was 20 cents a ton for coal rather than 21 per cent. In that particular case it raised the price from 30 cents to 50 cents. I do not know that it resulted in an increase in trucking, but I think it did. I am told it did.

Q I was trying to find out whether or not you were suggesting here that trucking was becoming a more important factor because of rate increases?

A Well, that is true. If the rate gets too high the trucks will replace the rails.

Q I think that might be self-evident, but I was wondering if you had any figures or anything that would help to show that there had been a steady increase in trucks?

A I don't know the exact increase in the number of trucks, but the operators say that trucking has increased since that rate was put in. To what extent I am not prepared to say.

Q Examining Appendix A on the same page, page 24, I should like to ask you this. Perhaps I should not ask you this question. Do you know anything about these rates? Have you checked them?

A Yes.

Q Have you checked them with the railways?

A I checked them with Mr. Matheson.

Q Do you know whether or not they include, for

example, in the rate from Springhill Junction to Bathurst Spur, New Brunswick, a distance of 188 miles, \$1, would there be a haul there from the mines to Springhill Junction?

A It could be.

Q You don't know?

A No.

Q What I am really trying to find out is whether they are really comparable rates?

MR. O'DONNELL: There is a charge there, and there is also one on one of the other tables, the Sydney and Louisburg Railway. There is a charge of 28 cents. The Cumberland Railway and Coal Company from Springhill is 18 cents. The table does not show the full picture.

MR. MATHESON: There is a charge also from Springhill mine into Springhill Junction, and from the Sydney coalfield into Sydney, and also from Joggins into Maccan.

THE WITNESS: There is a 10 cent rate also from Minto to Hardwood Ridge.

MR. COVERT: Q. I am wondering if under the circumstances they are comparable rates?

A They may not be in that particular instance. That is true.

Q And have you any figures on the comparative prices for coal per ton at the mines in these places, Sydney, and so on?

A. No, but we have a witness who would have.

(Page 4085 follows)

Q. Now, on page 25, if you look at the third item on the list, Fredericton; your list shows the mileages and rates, and your mileage revenue, from Hardwood Ridge, New Brunswick, and from Maccan, Nova Scotia, to various destinations in New Brunswick; and one of them is Fredericton, which is 66 miles from Hardwood Ridge, and 189 miles from Maccan.

Now, the rate for the 66 miles is \$1.30; and the rate for the 130 miles is \$1.70, which shows a 40¢ difference. That seems to be a tremendous difference?

A. That is an extreme example.

Q. A small difference in the rate as against a tremendous difference in the mileage. Have you checked that? Do you know if there is any explanation for such a discrepancy?

A. I do not know what the explanation is. It does not look very fair; that is why I chose it. I got these rates from what I think is a good source.

Q. Perhaps there is some explanation for that; the discrepancy seems to be so great. But you have not made any particular inquiries about that particular one? It seems to be the greatest there. This shows differences in mileage with the same rate, but you know nothing more than is in the table?

A. It would appear that in one case it was a competitive rate, and the other, it was not. But I do not know.

Q. That might be the answer?

A. Yes, that might be the answer.

Q. And would that be so, comparing Minto with Fredericton?

A. Minto to Fredericton is via Canadian National; while Hardwood Ridge to Fredericton is via Canadian Pacific.

MR. MATHESON: The rate to Hardwood Ridge is Canadian National; but the rate from Minto is Canadian Pacific, around Grand Lake.

MR. COVERT: Q. On page 26, in the first paragraph, dealing with potatoes, you indicate there that since 1940 the average potato crop -- and I presume that means gross -- averaged around \$15,000,000?

A. Yes, that is a round figure.

Q. Then you indicate that about one-half of the 31,000 potato growers in New Brunswick grow potatoes on a commercial basis. That would appear to work out to about 15,000. That would seem to indicate an average -- for what the average is worth -- of about \$1,000 per farmer, that is, gross. Would that be right?

A. Well, a lot would depend on how we define "commercial basis." I suppose it is a pretty general statement. My personal opinion is that not quite that many potato growers could be said to be commercial growers, in the broad sense of commercial growers.

Q. That would be my thought, too. And if the gross value was only \$1,000 on the average, there must be a very small profit on \$1,000 gross value of crop. It would seem to be hardly anything like ---

A. "Commercial" could be defined as farmers who grow potatoes for more than their own use.

Q. That is probably what is meant by "commercial basis."

A. Yes. That is a statement taken from one of

the agricultural reports.

Q. In the table on that page, there seems to be indicated a tremendous fluctuation in potato production, both in volume and in percentage, as far as New Brunswick is concerned, as compared with the rest of Canada. Can you explain to the Commission the reason for that?

A. My opinion is -- and this is only an opinion, because I cannot say for certain ---

Q. Perhaps there is someone more qualified who can give us that?

A. Mr. Greenlaw and Mr. Crandlemire probably could.

Q. I don't want to waste time now.

MR. BARRY: The Secretary of the Potato Growers' Association will be here.

THE WITNESS: I think it is a matter of markets available, foreign markets.

MR. COVERT: Q. Then, at the bottom of the page, in the last paragraph, you are dealing with it being a highly competitive industry, and you say:

"Grower competes with grower in disposing of his crop at the warehouse or siding, dealers and shippers compete for orders and for the crop of the grower. Potato growers are marginal producers."

First, I want to find out if, by saying that potato growers are marginal producers, you mean that the whole industry is a marginal industry?

A. Yes. It does not take very much change in the price structure to have the potato farmer driving a Buick, or to have the fertilizer company owning

the farm. They operate on a small margin.

Q. And would that apply, generally, throughout the industry?

A. I think it is pretty general.

Q. "Grower competes with grower in disposing of his crop. . ." Are there no cooperatives in the province, in the potato growing industry?

A. There is nothing effective, not in the selling. They do have a Potato Growers' Council, but it is concerned with improving the quality and concerned with getting special seed potatoes and things of that nature. But there is no cooperative selling, to my knowledge.

Q. Do you think that a cooperative in selling might change that marginal position, where you get a potato grower competing with another potato grower?

A. I think it might help.

Q. I notice on page 28 that you suggest 7 cents per sack as a dealer's margin; that is at the very bottom of page 28. Might not some of that be eliminated?

A. Yes, I would think so. Attempts to organize selling cooperatives have been made, and I understand they are still thinking of them; but they have not been too successful yet.

Q. Is not one of the things which makes one grower compete with another grower of potatoes in New Brunswick sometimes due to the dumping on the market of potatoes at away below the level of prices in some of the other provinces? Do you know anything about that?

A. I do not think so, I do not know. But we were accused of dumping potatoes into the American market,

because we were selling them under the American ceiling. But I have never heard of dumping in the upper Canadian market, if it happened.

Q. Coming back to that one point, do you think the fact that they are competing one with the other, in disposing of their crops, and that they are, perhaps, not organized market-wise, is one of the reasons which makes it a marginal industry?

A. It could be one of the factors, but I do not know that co-operative marketing would improve it very much.

Q. How would you compare it with the position, let us say, in Prince Edward Island, with the growers there?

A. I think it is very much the same.

Q. Wouldn't they be farther away from the market?

A. Yes, but their freight rates are comparable to ours. I think they have the same rate on Charlottetown.

Q. So your position, or rather the grower's position, is very much the same as that of Prince Edward Island. Now, two other points: first, do you think that the area of production, for potato production, has been pretty well covered in this province, or is there room for greater production?

A. I think it is localized by the soil. There is a special type of soil in our potato growing area; and also partly by climate.

There are some good potato growing areas in Albert county, which has a climate which helps to keep down disease, in the production of seed potatoes. I think it is pretty well limited by those factors.

Q. Are they growing potatoes in any really

submarginal areas in New Brunswick today, or is the potato industry generally confined to this very satisfactory area?

A. In Northern York, Carleton, Victoria, and Madawaska; and up in the Cariboo soil area, and to some extent in Albert County.

Q. Those are the good potato growing areas?

A. Yes, the best in the world.

Q. The fact of it being a marginal industry, then, is not due to potato growing being carried on in unsuitable or submarginal areas?

A. No, it is not.

Q. And you think, generally, that production is at its peak, and there is not much chance of increasing production?

A. Well, I would say that, yes. I think the danger of too intensive cultivation means soil erosion, which is already coming in. I think it could, probably, be increased somewhat, but not too much more.

Q. Is there any regular system of marketing here at all? Does it pass through a good many hands? Could you describe, briefly, how potatoes are marketed?

A. There are four or five shippers, and sometimes there are shippers and growers. Then, we have some farmers or operators who grow and ship, and some who just ship; but as I say, there are four or five fairly large sized concerns who have a long historic association with the business shipping into upper Canada, and who possess the know-how of how to get into them.

Q. Could you tell us the percentage of potatoes

handled by these large shippers?

A. No. I think the five of them are pretty well divided, but I do not know.

Q. No, no. Are most of the potatoes bought from the farmer by these shippers, and then the shippers sell them into the market, because they know how to sell them?

A. I would say the majority of the potatoes are moved that way.

Q. And what percentage would that be?

A. I would only be guessing, but I would say about ninety per cent.

Q. And on page 27, in the last paragraph, you say,

"Obviously potatoes moving to the Montreal and Toronto markets from the provinces of Quebec and Ontario are being moved by truck. If the railways are interested in the potato carriage business it is the maritime business that they must foster. If New Brunswick potatoes cannot move to market because of transportation charges and because of the unfavourable position they are placed in competitively because of cheaper haulage by truck by their more favourably located competitors the railways may lose the business they now have. Their interest coincides with the interest of the potato grower in this respect."

Now, do you think that the Board of Transport Commissioners should have the power to authorize special rates to encourage an industry of this kind?

A. Yes.

Q. And if, for example, it became a factor --

you say here that they would lose the business altogether, perhaps, if they could not go on?

A. That is right.

Q. And the railways should be able to put in a rate which would enable them to get into that market. Would you go as far, even if it is a loss rate?

A. Well, I suppose the volume would count; and a little business is better than none to the railways. I do not know whether there should be a loss rate on their part; but they should get them up there. I suppose the Maritime Freight Rates Act would apply. I do not think the railways should have to take a loss to carry the traffic, but I do think they could carry the traffic at a loss in order to create traffic. I think they do that.

Q. So that is what you have in mind here, that they might?

A. I will point out ---

Q. It is a question of losing business altogether?

A. That is right.

Q. Is that a serious possibility?

A. It could happen if the local producers produced enough; we could get crowded out of the market. I do not know how likely that is to happen, but it could happen.

Q. On page 30 there is just a little point I want to clear up. In the last paragraph you quote a 1942 price, and a 1948 price. I presume that the 1942 price was frozen by the Price Control during the war? Is that right?

A. I think that should be 1948.

Q. Oh!

A. I did not notice that, but I think that is the point. I took it just before the 21%, and just after.

Q. It is on page 30, the last paragraph, six lines from the bottom?

A. 20th of March, "1948," that should be.

(Page 4095 follows)

MR. COVERT: Q. That should be 1948?

A. Yes, it should.

THE CHAIRMAN: Where is the correction to be made?

MR. COVERT: Six lines from the bottom, Mr. Chairman. It says "price at Hartland 20 March, 1942," and the "1942" should be "1948".

Q. On page 33 in the third paragraph you make some reference to a manufacturer and his problem in respect of comparative freight rates; is that manufacturer here?

A. Mr. French is not here.

MR. BARRY: He will be in Charlottetown.

MR. COVERT: Well, who is the manufacturer referred to in the third paragraph?

MR. BARRY: Enamel Heating Products.

THE WITNESS: Enamel Heating Products, Sackville.

MR. COVERT: And they are appearing in Charlottetown?

MR. BARROW: Yes. Mr. Matheson advises me
"Mr. French will be in Charlottetown. I asked him to be here, but I believe he could not be here because of other appointments.

MR. COVERT: The reason I ask, Mr. Chairman, is, you will recall in Mr. Matheson's brief when he was reading it in Halifax he passed over that and said evidence would be presented later, and I wanted to find out if it was here.

THE CHAIRMAN: This refers to a New Brunswick manufacturer, does it?

MR. COVERT: Yes, that is right. Apparently

he is appearing in Charlottetown.

THE WITNESS: This case is identical with Mr. Matheson's in this regard.

MR. COVERT: As a matter of fact, I do not believe there is any different information here than is already in the brief submitted by Mr. Matheson.

THE WITNESS: That is right.

MR. COVERT: Q. Now, there is just one point further I wish to take up, and that is the question of newsprint and pulp. The brief mentions it, but there is not much in the brief about it. I was wondering if the freight presents much of a problem to the newsprint industry, or is it because most of their product goes by water that there is no special reference to it in the brief?

A. Well, that is part of the reason, and part of it is that the Canadian end of the haul is fixed by the American rate, and we felt that was a separate consideration and there was not much use in presenting it here. "

Q. Now, could you give us just briefly the types of product produced in your pulp industry? You have newsprint mills?

A. Yes, newsprint, and kraft for Fourdnier board or box board, which is made in Bathurst, and in Edmundston I think they make newsprint, and also special pulp, I don't know just what it is called, which is sent across to Madawaska, Maine, and manufactured into catalogue paper, and we also have sulphite which is manufactured

in Saint John, and rayon sulphite in Atholville -- that is the Restigouche Company.

MR. BARRY: Q. Rayon pulp?

A. Yes -- a subsidiary of Fraser's.

MR. COVERT: Q. Would all of those items be included in your evaluation set out on page 13, \$72,000,000 products of pulp and paper mills?

A. Yes; those figures are taken from the Department of Lands and Mines Report.

Q. Of the Province of New Brunswick?

A. Of the Province of New Brunswick.

Q. For what year?

A. 1948, page 14.

Q. Now, that \$72,000,000 would include the newsprint, the kraft paper, rayon, sulphite and so on

A. Yes, that is right -- and sulphite, sulphite pulp.

Q. And the main freight rate problem of those industries generally is the trucking of the pulpwood to the mill; is that correct?

A. Yes.

Q. But the products themselves go mainly by water?

A. By water or on export rates.

Q. Yes, or export rates.

COMMISSIONER INNIS: Q. How much of that \$72,000,000 is newsprint?

A. I will have to just hazard a guess. I would say probably twenty-five, but it is only a guess, sir; I don't know.

MR. COVERT: Those are all the questions I have to ask, Mr. Chairman. Mr. Barry tells me that the

Saint John Board of Trade is here, and I think they expected to go on this afternoon so they could leave this afternoon, so we might defer cross-examination of Professor Love by the other counsel until we have heard their brief. I spoke to the counsel for the railways, and they agreed that that would be suitable to them.

THE CHAIRMAN: Is that satisfactory to you, Mr. Barry?

MR. BARRY: Yes, Mr. Chairman. It is a very short brief, and I do not anticipate it will take much time, sir. May I call upon Mr. Blake of the Board of Trade?

THE CHAIRMAN: Yes. I mean, it is satisfactory to you to have Mr. Love stand aside?

MR. BARRY: Oh, yes.

THE CHAIRMAN: All right, then.

MR. BARRY: Mr. Chairman and gentlemen, I will call on Mr. Blake of the Saint John Board of Trade, who will introduce the person who is to speak with regard to the brief on the Chignecto Canal.

MR. BLAKE: Mr. Chairman and members of the Royal Commission, we are very grateful to you for giving us this opportunity to sandwich in our very short brief between these other much more lengthy ones. Our brief deals with the Chignecto Canal. I would like to explain first why this is the only brief we are submitting. As a member board of the Maritime Board of Trade, we have been associated with the preparation of the extensive brief which has been prepared by the Transportation Commission of

the Maritime Board of Trade. We support that, and consider it as our own, and the fact that we are not presenting any separate brief along general lines connected with the freight rate structure is simply because the work has been so well done by them, and we have had a part in it through our representatives on the Transportation Commission. That brief makes reference to the Chignecto Canal, as does also the brief which is being presented by the New Brunswick Government, but it seemed to our Board that it was desirable to elaborate a little on what was said in the other briefs and to deal with it particularly as it affects the Port of Saint John. The Chairman of the Committee that prepared this short brief is Mr. F. C. Mortimer, the Past President of our Board, and with your permission I would ask him to read the brief.

FREDERICK C. MORTIMER, called

MR. SINCLAIR: We understand that this brief deals only with the Chignecto Canal, so we shall have no questions to ask.

THE WITNESS: Mr. Chairman and gentlemen:

The members of the Saint John Board of Trade have, by resolution, recorded their unanimous support of the Chignecto Canal project in the knowledge that the completion of this work would result in benefits not only to the economy of the four Atlantic Provinces but to the National economy, also. This, because the greater prosperity developed within these Atlantic provinces will be of direct benefit to many

other parts of Canada.

The lay mind naturally re-acts on a question of this kind to the economic benefits of such a project but sight must not be lost of possible other advantages such as in the matter of Defence. It is argued by many that the provision of a Canal at this point would prove of strategic value to our Naval forces in time of trouble.

Because this important question is under study by many bodies in the Atlantic Provinces, we expect that there will be several Briefs submitted and, with the thought in mind of avoiding repetition, we are not including any special references to the historical background of the question and we have purposely omitted any reference to the previous Commissions that have looked into the merits and that have studied the advantages of the development. Also, other Briefs will, doubtless, emphasize the general advantages to the territory as a whole, but in our capacity we have studied this question more particularly from the angle of what it may mean to the area of Greater Saint John.

In what has been said above with respect to ~~x~~ other Briefs, we refer particularly to one prepared by the Transportation Commission of the Maritime Board of Trade. As a member of the Maritime Board we have our representatives on this Transportation Commission, have been associated in the preparation of the Brief, and support it in its entirety.

With this in mind we respectfully submit that the advantages will be many, with special emphasis on the possibilities opened up to shipping by an economical

water route to and from this National port, which represents an investment of many millions of dollars by the Federal Treasury and has direct steamship connections with all parts of the World. If centres north of the Isthmus of Chignecto could ship their products to Saint John via coastal vessel, through the canal, then these products could be re-shipped from Saint John by liner to world markets. The exporters north of the Isthmus would be able to cut transportation costs materially, if they had this short cut to Saint John. This would help to develop widespread and diversified industries. It would also mean more work for Saint John's longshoremen and tend to take up the slack during the summer months.

It is true, also, that the volume of traffic which would be immediately visible is not the yardstick to use but rather should we calculate on the greater possibilities of the development of the ports on the Northumberland Straits, Quebec, Cape Breton, and, more recently, the potential trade made possible by the addition of Newfoundland and Labrador to the Canadian scene. It would require but a brief visit to such points as Buctouche, Rexton, Richibucto, Chatham, Newcastle, Bathurst, Campbellton, Pictou, New Glasgow, Sydney, Charlottetown, Summerside, the Gaspé Coast and intermediate points, to indicate that these communities could, with the encouragement of cheap water transportation, greatly stimulate their present export business. The distance to Saint John from Cape Tormentine by the present route around Nova Scotia is 609 miles of rough, open-sea sailing. Ships could pass through the Canal

resulting in a saving to points mentioned above of some four to five hundred miles.

Looking further afield, industry in the Saint John area would be opened up by the possibilities of bringing raw products such as pulpwood and iron ore from Labrador and Newfoundland to mills in and around Saint John. It is well known that the richer iron ore of the United States is being rapidly depleted and that American steel mills are faced with the necessity of using new sources of iron ore, which ore has now been found in abundance in Northern Quebec and Labrador and could, by using the Canal, encourage the establishment of steel mills in the Maritime Provinces.

The necessity for finding some economical alternative of transportation to supplement the railways in respect to the extreme coastal sections of Canada is apparent. The West coast does not seem to be as fortunately placed in finding a cheap water route to the centre of the Dominion, whereas with the St. Lawrence River and perhaps ultimately through the development of the St. Lawrence Waterways, large ships loaded in Bay of Fundy ports like Saint John could reach centres on the Great Lakes, including the larger cities of Toronto, Detroit, Chicago and Port Arthur, thus giving manufacturers on our extreme Atlantic coast an opportunity to compete successfully on transportation costs with the factories and plants more fortunately placed near the centre and density of population, and even in the event that the St. Lawrence Waterways were not constructed, similar advantages through the

use of small ships perhaps partially discharged at Quebec or Montreal.

The disadvantages of the long rail haul from the extreme ends of the country are becoming more pressing with the increase in freight rates which have already been instituted and which are now being contested by three Maritime Provincial Governments. While this effort may result in some amelioration in the freight costs, the mere fact that further increases in pay are now being demanded by the railway employees with a consequent raise in the spiral of freight costs, places emphasis more than ever on the urgency from a National point of view of providing points, like the area of Greater Saint John, with alternative transportation possibilities to enable our manufacturers to carry on and expand.

We feel, too, that the decision to proceed with the Chignecto Canal would be the answer needed by the Commissioner of our Board of Trade and our members generally who have repeatedly endeavored to attract industry to this area and are meeting with the general objection that, if a branch factory is to be established in Canada, the logical site would be towards the centre rather than at the extreme end of the country. If we can now meet this objection by pointing to the possibilities of cheap water transportation, the natural advantages characteristic of this part of the Country could be developed and our whole economic outlook would be greatly encouraged.

For many years Saint John has been a large distributing centre and, therefore, the construction of the Chignecto Canal would enlarge the territory

within reach of Saint John by water, making it possible to encourage new industries such, for instance, as oil refineries and other large projects, which would result in a substantial increase in population, gainfully employed.

We, therefore, urge for these and many other reasons, the immediate construction of the Chignecto Canal as a matter of National concern.

EXAMINED BY MR. COVERT:

Q. Mr. Mortimer, there have been some reports and investigations into the Chignecto Canal, have there not?

A. Mr. Cooper from Ottawa was down about a year ago and went over the site and came forth with some of his own conclusions; that is the last one that I know of.

Q. That is Mr. Cooper from -- ?

A. Ottawa, I believe. I think he is in the Government Service; I am not too sure; you could trace that. He gave an address in the Beethoven Hall of the Mount Allison College in Sackville just about a year ago -- September, I think it was.

Q. You could not give us any references to where we could get some material?

A. I am not attempting any engineering data at all, Mr. Covert.

Q. I was just wondering if you knew of any place where we could get some additional information?

A. I think probably in searching that you might have to get the details of the Surveyer Commission.

Q. That was Mr. Justice Surveyer?

MR. O'DONNELL: The engineer, Arthur Surveyer.

THE CHAIRMAN: Is there any estimate of the cost?

MR. COVERT: I was coming to that, Mr. Chairman.

(Page 4109 follows)

Q Do you know if any estimates of cost were made, or have been made?

A Well, of course we speak as laymen, you know, and figures are guessed at. I would not want to hazard a guess. With modern equipment and steam shovels we believe, and are told, that the nature of the soil there would make it easy for a digging process. That is what we believe.

Q There must have been some figures mentioned. I would think the Board of Trade must have heard of some figures?

A No authentic figures, not recently. We would not want to advance a figure.

Q Do you know what any of the old figures were?

A We thought of that, too, and we decided the old figures could be so changed with modern equipment --

Q I expect they would be.

A That we did not feel we could put in any very useful figure.

MR. BARRY: The factors involved, as Mr. Mortimer says, were so tremendous as to what we might believe it to be --

THE CHAIRMAN: Pardon?

MR. BARRY: The factors involved would change the figures so tremendously, as to whether or not it was built across one section of the isthmus or another section, or whether it was 8 feet deep or 18 feet deep.

THE CHAIRMAN: There were different estimates?

MR. BARRY: That is right. In the first instance, more than 100 years ago, the estimate was approximately

\$250,000, and then another estimate was \$22,000,000, but it was for such a completely different type of canal that even those figures would mean nothing today.

MR. COVERT: Q. That was one point that I wanted to take up with Mr. Mortimer, what has the Saint John Board of Trade in mind as the termini, the distance between, the depth and width, and so on?

A Our position was that irrespective of any cost within reason, that the value of the canal was such that irrespective of that total, it was something that should be proceeded with in the interests of industry and business.

Q Has the Saint John Board of Trade any particular place in mind where the canal should be built?

A There is a general area there. We have maps, and we would be very happy to supplement our brief with a map showing you just that very point.

Q In the place you have in mind, Mr. Mortimer, what is the length?

A Eighteen miles of trenching, I believe, or digging.

Q Eighteen miles?

A Yes.

Q Has the Saint John Board of Trade any proposed width of the canal?

A No, we have an open mind on that, too. We feel that is entirely an engineering question.

Q I was wondering about the depth from the point of view of the size of the ships?

A To give the greatest benefits it has been considered that the canal should be conceived on the basis

of allowing ships up to 10,000 tons to go through.

Mr. A. F. BLAKE: We had in mind a depth of 25 feet.

MR. COVERT: A depth of 25 feet?

MR. BLAKE: Yes.

MR. COVERT: Q. ~~I~~ Do you know, Mr. Mortimer, whether there is any problem as far as tides are concerned?

A Of course, we are on the Bay of Fundy shore, you know, and there would be problems of tides.

Q That would mean that the canal would involve the use of locks?

A Oh, I think so.

Q Is it a fair question to ask you whether in general everybody in the Maritimes supports the project, or whether there is any opposition to it.

A Well, there have been very active canvasses on that recently in Saint John, and that has brought forth opinions from a very wide area, and there are very very few that are critical of the project. You can conceive, of course, that there will be some areas that would benefit more directly than other areas, but sections like Halifax, for instance, which would not be near the canal, would benefit very greatly from the prosperity of the Annapolis Valley and some of the other sections of Nova Scotia.

Q On the northern shore of Nova Scotia. They would approve?

A Very definitely.

Q I suppose Halifax would probably be against it?

A The people of Halifax are so intelligent that I

cannot imagine them being against anything that is for the good of the Maritime Provinces.

Q At page 2 you mention that it would encourage diversified industries. In the last part of the paragraph you say:

"This would help to develop widespread and diversified industries."

Have you any particular industries in mind that this would encourage?

A I believe it is a matter of record that the area of Saint John has a greater number of industries than any other section of the Maritime Provinces, so that any channel of lower freight costs by water, which we understand is the lowest means, would benefit them all in some measure, we figure.

Q Do you think it would increase production in those areas, or would it simply divert the method of shipment?

A We figure, of course, on the enlargement of industry. We are not trying to change the channel; we are trying to enlarge it. I have heard leading fruit men, for instance, from the Annapolis Valley - their remarks are a matter of record - say that by having the Chignecto Canal it would place them, from a transportation standpoint, in relatively the same position as if their farms were 150 miles from the island of Montreal in the matter of costs to get their stuff to market.

Q So that, for example, they would be able to ship right from Kingsport by water route?

A Kingsport through the canal.

Q Has the Saint John Board of Trade given any thought to the matter as to whether this would be a toll-free canal?

A Of course, we have been figuring on the basis that it would be a part of the Canadian canal system, and would be treated like other national projects.

MR. SINCLAIR: Q. Toll-free?

A Toll-free.

MR. COVERT: Q. At the top of page 3 you say that the volume of traffic which would be immediately visible is not the yardstick.

A The thought there is there would be new trade.

Q New trade, and that the present cost of the project is not much of a factor.

A Rightly or wrongly we take the position that canals as a whole do not pay for themselves, except perhaps the Suez canal and Panama canal, but I do not think our Canadian canals pay for themselves. They are all toll-free, are they not? This is something which has been promised the Maritime Provinces for quite a few years.

Q At the bottom of that same page, Mr. Mortimer, you refer to the steel mills, and you refer to the rapid depletion of ore for the American steel mills, and the abundance of ore in northern Quebec and Labrador. You suggest this might encourage the establishment of steel mills in the Maritime Provinces. At the present time there is a steel mill in Sydney. Are there other steel mills in the Maritimes?

A No, but of course if our Board of Trade was progressive, and where American interests would be looking

for the ore, and they know where it is, it might become a matter of economy for them to settle in Canada somewhere. We add that as a possibility. We think the steel industry in the Maritime Provinces will progress, and it is a grand thing that the ore has been discovered in Labrador.

Q I suppose this, of course, would all divert traffic from the railways?

A Of course we like to feel that the railways - you know if you were to build a lot of new factories it would give the railways a lot more business, and no canal in Canada is open all year round. We figure that it must mean increased business for the railways, too. We are not ^{to} trying/take business away from the railways.

Q This canal would not be open all year round?

A Just like any other Canadian canal, it would be open two-thirds of the year round, I suppose, and it would be closed like the Lachine canal and Welland canal. We would all close up together.

THE CHAIRMAN: Is there anything in these older reports on the question of how many months of the year this canal would be open?

THE WITNESS: I say two-thirds of the year.

MR. COVERT: Can you give us the reference to the Surveyer Report, Mr. Barry?

MR. BARRY: Surveyer Commission, 1931. It is in the King's Printer's office in Ottawa.

THE CHAIRMAN: It would be open about eight months in the year, according to these people.

THE WITNESS: About eight months. The St. Peters canal in Cape Breton, which is the only canal we have in

the Maritime Provinces - it is only a short canal - closed just about the end of December last winter and opened up at the end of April.

MR. COVERT: Q. What I am trying to ascertain is if there are any other avenues of information for the Commission because none of the briefs which have been submitted to us deal with it in any more than a most general way, and if there were any further reports or studies made we would like to have them. It seems to me that I have seen somewhere that there was a study being made by what I think is called the Chignecto Canal Association.

A The Chignecto Canal Committee, yes, with headquarters in Saint John.

Q Have they any information that would be of value to the Commission?

A Yes, they are gathering information, very considerable data, and will have that to issue together with a brochure giving a great deal of added information on many points. That will be available to all interested parties, I imagine in a matter of weeks, but it is not ready yet.

Q Could you have that sent to the Commission?

A I will be very happy to take that up on my return to Saint John.

Q We would like at least ten copies, if you could.

A Ten copies; I will be very happy to see what I can do.

CROSS-EXAMINATION BY MR. O'DONNELL:

Q Mr. Mortimer, I take it that your committee, the

Board of Trade of Saint John, did not inquire with any
into the effect
detail/that such a canal, if constructed, might have upon
the Canadian National Railways, and particularly that part
of the route which is the old I.C.R., the old Inter-
colonial?

A I think perhaps the answer to that is that we
have been entirely selfish about it, and have studied it
from the point of view of the advantages to Saint John.

Q You did not survey the effect it would have on
the number of employees of the Canadian National who would
no longer be required if trade falls off any further than
it has?

A The only chance we see of the trade falling off
just now is the increases that are portended. If they
come into effect there will be a lot of employees laid off
and a drop in trade. .

Q You did not go into that aspect?

A We figure that will happen unless something else
is done about it.

Q That may be, but my simple question is you did
not go into that aspect?

A We did not study it from the railway standpoint,
no.

Q Did you study it from the point of view that the
ships that might go through the canal, if it were to be
built, would be larger ships possibly than these relatively
small ones that you contemplate, and that they might go
right on through and up into the St. Lawrence?

A We contemplate a ship of 10,000 tons. That is a
pretty large freighter. We cannot figure on a ship that

would be too big to continue up through the inland waterways, and perhaps ultimately the St. Lawrence waterways.

Q At page 4 what distinction do you make between what you term large ships and small ships?

A We call a 10,000 ton ship for that purpose a large ship, and a small ship up to a couple of thousand tons probably.

COMMISSIONER INNIS: Q. If there was a depth of 25 feet, as has been mentioned, that would accommodate more than 10,000 tons?

A Yes, and there is the national point of view for naval forces, quite apart from the economic point of view.

MR. O'DONNELL: Q. Twenty-five feet would accommodate 18,000 ton vessels?

A Exactly; we are trying to be modest .

Q And if you build a canal of any respectable dimensions such as that, it is not unlikely that it might be more advantageous for the ships to go on right through and up into the St. Lawrence without the trans-shipment that apparently you contemplate would accrue?

A We put in trans-shipment as an alternative to the use of larger ships. If the St. Lawrence waterway is not proceeded with it would not be an awful lot of advantage in taking larger ships beyond Montreal.

Q In that event if your canal was wide enough and deep enough these larger ships might travel right on to Montreal?

A Yes.

Q In which event Saint John would not derive the

benefits that you seem to contemplate?

A That is what we are hoping for. We are hoping they will go through to Montreal from Saint John.

THE CHAIRMAN: Starting from where? What does your question contemplate, starting from where?

MR. O'DONNELL: Ocean freighters.

THE CHAIRMAN: Coming from where?

MR. O'DONNELL: From any foreign port, from the continent, or anywhere at all.

THE WITNESS: We are discussing commerce from the Maritime ports, particularly from Saint John to Montreal. The question was not too clear.

MR. O'DONNELL: Q. Well, if an ocean going vessell can go right on through this canal that you think might be built, then it could today travel as far as Montreal?

A Yes, we are hoping that it will, from Saint John to Montreal and stop at intermediate points.

THE CHAIRMAN: I do not understand there what the expression from Saint John to Montreal means. If it refers to an ocean ship coming in first to Saint John --

MR. O'DONNELL: I did not say coming from Saint John. I said a ship that would pass right by Saint John.

THE WITNESS: We are not ~~talk~~ing about all this for ships to go by Saint John.

MR. O'DONNELL: I did not think you were, but if you had a canal of a depth of 25 feet, and presumably in this day and age it would be built with a view to the future, it could accommodate ships that would pass right on through?

THE WITNESS: Of course, that is the hope, that the canal will be large enough to take the larger ships.

THE CHAIRMAN: Q. But where would these ships be from?

A In our case from Saint John to upper Canadian ports.

Q From Saint John?

A Yes, through the canal.

Q Where would they get their freight?

A From Saint John, assembled in Saint John.

Q Assembled from where?

A Maritime points.

Q By ship?

A By water across the bay or manufactured in the Saint John area.

Q By ship?

A By ship.

Q And then sent out on another ship?

A Trans-shipped up through the canal.

MR. O'DONNELL: What advantage would there be in shipping from say Bathurst, which you mention on page 3, down to Saint John to be reshipped? Is that the idea?

A Not necessarily. You see, you speak of Bathurst. There is the Bathurst Power and Paper Company. They manufacture a certain amount of newsprint. If they care to ship that down by a small vessel to Saint John and have it collected there with a lot of other merchandise and shipped from there overseas through the canal -- it is an assembly point.

Q I am thinking of shipments of the products of

the Bathurst Power and Paper Company to upper Canada?

A Well, that would be a matter for Mr. Matheson to answer on freight costs.

Q The railway would come in there, would it not?

A I hope so.

Q And at the present time I assume can give adequate service?

A I have never had any reason to doubt it.

Q And is not that the case, Mr. Mortimer, with respect to all these towns along that shore?

A This brief is not against the Canadian National.

Q I know that, but I am just asking if that is not true also of Campbellton and Newcastle?

A There are a lot of things in a small way. There are the fishermen who fish off the Caraquet coast, and who cannot fish there in the wintertime. They could bring their vessels through the canal and fish in the Bay of Fundy. It is not only what the Bathurst Power and Paper Company do. It is other industries as well.

Q There are plenty of fishermen now right in the Bay of Fundy in the months you speak of?

A Yes, but we could have more. We could grow.

Q You say at the bottom of page 2:

"This would help to develop widespread and diversified industries."

Were you here this morning when the suggestion was made that the Maritime Freight Rates Act should apply both east and west?

A No, I only came in after lunch.

Q Would not a cheaper route to the Maritimes from

Ontario and Quebec have the effect of bringing into the Maritimes, and flooding the Saint John market, all the products of upper Canada. Would it not flood the Saint John market thereby discouraging any further diversified industry?

A Of course, in any new move there is an element of chance, and we will have to take our chances on that. The manufacturers we have spoken to are quite prepared to take their chances on that.

Q Now, you say at page 3 that the richer iron ore of the United States is being rapidly depleted. Have you any idea of the estimate of the life of those iron ore deposits?

A In the United States?

Q Yes.

A I believe two or three years, the richer ore. They have a lot of the poorer ore.

Q Your information is two or three years?

A Well, call it five years if you want to be exact.

Q Well, I am just asking you. Would not the construction of the canal, such as you suggest, have the effect more or less of setting up another transportation agency which would require government assistance, and which in the end result would be competing with that government agency which already exists, and which is highly subsidized, the I.C.R.?

A Would the I.C.R. be able to take it through to the United States?

Q Well, on the movement into the west?

A On the question of freight rates, is it not so that

large masses like iron would ship cheaper by water than by rail? Is that not a general principle? I don't know.

Q I am just asking you.

A Of course, you are a railway expert and I am not.

Q What markets are there that you would want to reach that you cannot reach now by rail?

A What do you mean?

Q And with water competitive rates prevailing?

A What markets?

Q Yes.

A All central Canada and the United States possibly.

Q But have you not water competitive rates in effect to Montreal?

A You cannot ship by water competing from Saint John now.

Q But can these people on the shore that you mentioned, from Bathurst, Campbellton and these places, not ship by rail at water competitive rates?

A I don't know. I am not in a position to answer that question.

Q Just one question on the steel industry. Have you surveyed the possibility which you foresee, as set out at the bottom of page 3, with anyone in the steel business? Do any of the steel people agree with that proposal as being feasible?

A I think, as I recall it, that pretty nearly every business magazine that has come out of the United States in the last year or so has emphasized the point of the necessity of the American Steel Mills moving to the east coast, and taking the authority of these reputable publications - and there does not seem to be any denial of it - I think that may be taken as a fact.

Q. That is the only information you have?

A. General information.

Q. Now, you also mention on page 4 something about the cost of freight, and you indicate that sea or water traffic is cheaper. The people who operate ships have had considerable increase in wages, as well as the railway men, in the past few years, have they not?

A. And a great deal of trouble, too.

Q. But have not the wage rates of sailors gone up considerably more than those of other people?

A. You mean, proportionately?

Q. Yes.

A. I do not know.

Q. Has not the cost of water transportation and ocean rates gone up very considerably?

A. Is it more expensive to ship by water to-day than it is by rail? I am not a railway man; I do not know.

Q. I was looking at an extract from a report of the Department of Agriculture, that is all.

A. It is cheaper to ship by water than by rail, is it not?

Q. I do not know. The Province of New Brunswick, in respect to the year 1948, at page 123, says:

"Present ocean rates are 400 per cent the pre-war minimum rates."

A. That is just the percentage.

Q. Whereas, railway rates have gone up 21%?

A. Yes, but I do not know what the base is.

Q. You said that the Chignecto had been promised to the Maritimes. I wonder where one might find support

for that statement in some document or other?

A. We can support that. We purposely, also -- have you noticed on the first page -- we purposely said that we were avoiding the historical phases of it. We did that deliberately.

Q. I am interested in history to that extent.

A. That is a matter of history.

MR. O'DONNELL: Mr. Chairman, it occurred to us that it might be well to have a map of the area down here showing the various railways which serve that area, and also clearly indicating these various places, such as the one which Mr. Mortimer speaks of, where the canal might go. So we have had prepared a map which shows the Canadian National lines in red, and the Canadian Pacific lines in green, together with its affiliates. I think that all these points which were mentioned, such as where the coal mines are, and these smaller points, can easily be found on it. So I take pleasure in handing copies of this map to the Commission.

THE CHAIRMAN: We had better mark it as an exhibit.

MR. COVERT: Will you file it, please, as Exhibit 51.

EXHIBIT NO. 51 -- Filed by Mr. O'Donnell.
Map showing C.N. and C.P.
Lines, etc., in the
Maritimes.

MR. O'DONNELL: We have three copies of the map, exhibit 51, with us. Thank you, Mr. Mortimer.

THE CHAIRMAN: Does anybody else wish to ask Mr. Mortimer any questions.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Do you not think there is one danger about the canal, in that, after you get it operating, the railways might quote you competitive rail rates which would take away the shipping from the canal?

A. Do you think, or do you say that they will or they won't?

Q. But isn't that what they do all the time? They quote water competitive rates.

A. We have half a dozen merchants down the street here who are competing with each other, but they all seem to make a living.

Q. So you do not fear water competitive rates taking away business from your canal, and leaving it silent and quiet?

A. The railways are in the hands of very sensible people. I do not imagine that they are losing much money on them.

MR. O'DONNELL: You are thinking of the subsidy each year.

MR. COVERT: Mr. Chairman, I think that Professor Love should again take the stand.

PROFESSOR R. J. LOVE, recalled

CROSS-EXAMINED BY MR. BARRY

Q. Mr. Love, I just have one question. You used the expression "marginal producers", in respect to the potato growers. Would you explain the sense in which you used that term, as distinguished from the sense in which agriculturists use the word "marginal"?

A. I used it in the sense that these growers are competitors one with the other. I did not mean to imply

that the land area in which the potatoes are grown is sub-marginal land, because it is not.

But in the marketing of potatoes, because the growers and shippers compete for markets, there is a tendency for them to get down to what we call a "margin"; and it does not take very much. Under ordinary conditions, in the case of a farmer who is just meeting his costs -- with the drop of a few cents he may fall down below his costs. So, generally speaking, the potato farmer is in a hazardous occupation.

Q. The expression means anyone of several factors, one of which could result in changing a situation from one of profit to one of loss?

A. That is right.

MR. BARRY: That is all, thank you.

CROSS EXAMINED BY MR. SHEPARD

Q. I just have one or two questions, Professor Love. First of all, would it be fair to say that this submission that has been filed, and on which you have answered questions today, is primarily prepared, purely from the point of view of the Government of New Brunswick? Is that a fair statement to start with?

A. Yes. It was prepared for the Government of New Brunswick.

Q. And it expresses the provincial view, of this province?

A. We hope that it does.

Q. And in the course of its preparation, perhaps you could tell me whether any comparative studies were made between the incidence of transportation in New Brunswick and, let us say, in other areas of Canada,

such as Manitoba or Western Canada, generally?

A. I made no comparisons, personally; and I do not think Mr. Barry did.

Q. Have you given any consideration, or have the other people who assisted in the preparation of the brief given any consideration as to the effect of your proposal on other parts of Canada, on the economy of other parts of Canada, if your proposal were implemented, with the result that you had access to the central Canadian markets? Have you given any consideration at all, or made any study of the effect of the implementation of those proposals on the producers of other parts of Canada?

A. No, we have made no study of it. But it does not occur to us that it would hurt the West, if we got what we wanted and what we would like to have; and I do not think that it would, either. I do not think there is any way in which you and the Maritimes would come into conflict in this matter.

MR. BARRY: Mr. Chairman, my learned friend Mr. Shepard may not understand our basis, that it is not based only on the fact that we would like to have it, but it is based on the authorities which are contained in the appendix, both as a moral right, and on the economic necessities as well. And if Manitoba should have some argument which is open to them to produce that --

MR. SHEPARD: We will.

CROSS-EXAMINATION BY MR. MACPHERSON, JR.

Q. When the statement at the bottom of page 6 was prepared, had you given consideration to the

Province of Saskatchewan at that time? You said:

"The position of New Brunswick is not comparable to that of any province outside of the Maritimes. Other provinces either produce non-competitive products or manufactured goods whereas we, broadly speaking, are dependent upon primary production, and as has already been pointed out, competitive primary products in most cases."

Do you not think the same statement of fact applies to the Province of Saskatchewan?

A. The same with Saskatchewan. Wheat would be a similar product which would have to be sold in the export markets, yes.

Q. In the same manner as your primary products?

A. Yes, in that respect, very similarly.

Q. In other words, you would say that, probably, the freight rate problem, as experienced in the province of Saskatchewan, is comparable to the problem as experienced in New Brunswick?

A. Yes. But you have your Crows Nest Pass rates.

Q. Yes.

CROSS-EXAMINATION BY MR. FRAWLEY

Q. Have you remembered, sufficiently, some of the advantages of the Maritimes, when you were drafting your brief?

A. We do not brag about what we have.

Q. But you certainly have not over-emphasized them. You have the St. Lawrence waterway, which enables you to obtain from the railways pretty favourable rates?

A. I do not see how that has anything to do with it.

Q. You have your water compelled rates from Central Canada to the Maritimes, and from the Maritimes to Central Canada?

A. I do not think they affect New Brunswick at all.

Q. No?

A. You might get special rates for Nova Scotia steel and coal but not for New Brunswick.

Q. Have you ever compared what it cost to move consumer goods from manufactured centres in Central Canada to the Maritimes, as compared to Western Canada? Have you ever stopped to go into that at all?

A. I do not see what you mean.

Q. Do you not know that there is a great difference in the freight rate which is paid on consumer goods moving into Western Canada, as against those same consumer goods moving into the Maritime provinces?

A. That could be.

Q. Do you know that the freight on an automobile moving from Windsor to Halifax, 1358 miles, that it pays \$1.25½; whereas that same freight automobile, moving to Calgary and Edmonton, 2200 miles, pays \$3.76?

A. That could be true, and I think you people have a perfect right to kick about it.

Q. I was wondering whether or not you had remembered sufficiently, while deploring the situation in the Maritimes, the fact that, basically, as a starting point, you have a pretty favourable freight rate structure as compared to the freight rate structure which obtains on long haul business in Western Canada?

A. We did not object to your getting a good rate, and we hope that you -- we do not see why you would bother with our good rate.

Q. Please do not misunderstand me about "bothering". I wondered if you had given sufficient emphasis to the case with which you start out, freight-wise?

A. Compared to Alberta?

Q. That is right.

A. I do not think we should bother about that. That is up to you. I cannot see why we should.

Q. Now, you said that you did not think that extending the traffic movement from New Brunswick points to Toronto would affect anybody in Western Canada?

A. I cannot recall any commodities in which we would be competing with you. There may be some.

Q. Do you not know there is a potato industry in southern Alberta now, which, we think, has reached rather important proportions?

A. I have been told that western potatoes are not fit to eat. That is all that I know about it. So I do not think we need to worry about that.

Q. Putting that aside -- because I won't stop to talk about the quality of potatoes with you; I want to talk about freight rates, and I put it to you that, if you have a preferred rate on potatoes from New Brunswick to Toronto, you would effectively prevent southern Alberta potatoes getting into Toronto, at all. What do you say about that?

A. As far as I am concerned, we are willing to show you the same consideration. We are not trying to keep somebody else out. We do not want to have a rate which gives us an advantage over somebody else.

Q. So you will qualify it to that extent; and if extending this preferred movement as far as Toronto,

and if that kept southern Alberta potato growers out of the Toronto market, you would not want it to happen?

A. We think he should get the same consideration.

Q. You would want him to ask for a subsidy?

A. He could do what he likes about it. That is up to you.

Q. Would there be any alternative?

A. I do not think the southern Alberta potatoes would ever compete with New Brunswick potatoes.

Q. I am discussing the Southern Alberta Vegetable Growers' Association which presented a brief at Calgary and talked about the advantageous situation of the Maritime potato growers, as against themselves.

A. I am surprised to hear it.

Q. I will quote you a rate; a rate from New Brunswick to Winnipeg on potatoes, a distance of 1881 miles, and the rate is 93¢. Now, the rate from Lethbridge to Winnipeg, which is 757 miles, is 64¢. Do you think there is an anomaly there, to go two and a half times the distance for one and a half times the rate?

(Page 4135 follows)

A. Your western rate appears high; that is as much as I can tell you.

Q. The rate from Prince Edward Island to Montreal, 739 miles, is 35¢; the rate from Lethbridge to Winnipeg, 757 miles, exactly the same for comparison purposes, is 64¢. You are able to get your market much better than we are able to get our market.

MR. BARRY: Mr. Chairman, I do not wish to interrupt, but is my learned friend asking questions, making statements, or getting evidence?

THE CHAIRMAN: He is asking Mr. Love whether he knows these things.

MR. BARRY: Mr. Love is not a rate expert, and he does not know the rates ⁱⁿ the west, I am sure. If Mr. Frawley wants to put that tariff in I have no objection.

MR. FRAWLEY: I will just put it to him as an assumption.

Q. Assuming these rates, which come out of a brief which comes from Calgary, are correct -- if they are not correct, Mr. Matheson is your expert and he can change them -- assuming that we have to pay 64¢ to get 757 miles to our market, and you pay 35¢ to get a similar distance to your market, all of the disadvantages are not in the Maritimes:

A. Do you want me to answer that as a question?

Q. Yes, I want you to comment on it, if you would be kind enough.

A. Well, it would appear that your western rates are high; that is all I can say about it. I don't see what that has got to do with our case, personally, unless

you object to our getting some special rates.

Q. No, I have not said that, Professor Love. There is no truck regulation in New Brunswick, no regulation as to rates in New Brunswick?

A. As far as I know there is not, as to rates. There is some regulation regarding weights and things of that nature.

Q. Are you prepared to discuss with me for a moment the policy involved in that attitude? I understand that the Government of British Columbia is opposed, and does not require, or perhaps even permit, the regulation of truck rates?

A. Well, I would not like to talk about policy on that; I do not know.

Q. I said British Columbia; I meant New Brunswick. I understand that the Government of New Brunswick has no regulation of truck rates in the province; is that so?

A. As far as I know.

Q. Well, are you prepared to answer

A. No, I don't like to state Government policy on a matter like that; I don't know.

Q. You don't really know what the Government policy is?

A. No. I have my own opinion, but that is all; it is just a personal opinion.

Q. Thank you.

THE CHAIRMAN: Any other questions?

MR. SPENCE: Mr. Chairman, Mr. Barry said in his opening remarks this morning that if counsel accepted statements in the brief that was presented to the Board they might find no need of asking questions

about them. I would just like to make sure that I am not necessarily agreeing with matters in the brief if I do not ask questions about them. I am trying to curtail my questions to the minimum at the present time.

MR. O'DONNELL: That is our position also.

CROSS-EXAMINED BY MR. SPENCE:

Q. Professor Love, at the bottom of page 1 and the top of page 2 of your brief you say:

In addition to the scattered nature of our populated regions the topography places obstacles between the various areas; the natural channels of communication run north and south rather than east and west."

Now, in the context that statement appears to relate to the topography, perhaps, of the whole of Canada?

A. Yes.

Q. Rather than the Maritime Provinces alone?

A. Yes.

Q. Do you not consider, however, that one of the main natural channels of communication of Canada, and indeed the whole North American continent, is the St. Lawrence river and the Great Lakes, and that it is entirely natural that even out on the prairies traffic should travel east and west in conjunction with that great system of waterways?

A. In a way; I see your point; but the St. Lawrence-Great Lakes system is really more for that area itself. To go from Lake Superior to Winnipeg is quite a distance, there is a natural barrier there of rough country, and certainly the prairie economy fits in more with the midwest and the plains

of the United States than it does with Ontario; that is the point I make there.

Q. You have made a study of that, have you?

A. Well, I have not made a special study. It is just common sense. Everybody recognizes that.

MR. SINCLAIR: No, they don't.

THE WITNESS: Except the C.P.R., maybe.

MR. SINCLAIR: A lot of other people in the west.

THE WITNESS: Certainly we feel that our natural lines of communication are north and south rather than across the Appalachian barrier to Montreal.

MR. SPENCE: Q. In the paragraph at the top of page 2 you speak of the Appalachian Highlands, and you appear to suggest that the Maritimes are separated from the rest of Canada by the Appalachian Highlands and rough forested terrain?

A. Yes.

Q. You would admit, however, wouldn't you, that the Maritimes are connected with the rest of Canada not only by the St. Lawrence waterway but by three railway lines, and that the Maritimes, with the only two winter ports in Eastern Canada, have at least in the winter months the bulk of Canadian commerce tributary to them?

A. Yes, they are certainly connected, and we get a lot of traffic, but it is expensive and high-cost and it is not natural. It is much more natural for us to trade with the New England States, for example, by water than to ship away up around the I.C.R. to Toronto. We do it, and we want to do it; we want to

keep our situation so that we can continue to do it, but it is an unnatural thing, and that is the reason we are asking for subsidies, or one of the reasons.

Q. But you have in your position, and with those lines of communication, a hinterland or a tributary area that is very large?

A. I wouldn't say we had much of a -- I don't know quite what you mean by a tributary area; to where? Montreal? I don't quite get what you mean.

Q. Well, the Maritimes provide the access of the whole of Eastern Canada to the sea in the winter time?

A. Yes, when they have to, when they don't ship through Montreal or Portland or New York.

Q. How much Canadian traffic do you suggest goes through Portland and New York?

A. I don't know how much goes, but I think more would go if it were not for these artificial compulsions that we put on, making traffic come down here. We are favoured in that.

Q. You are favoured in that.

A. Yes, I think we are.

Q. Now, you say at the top of page 2 that New York is only 660 miles from Fredericton, but actually Montreal is only 460 miles from Fredericton by rail; is that not correct?

A. I am thinking there of highways. I am pointing out that you can drive from here to New York, with the modern parkway system, very easily. There is a pull of the New England States for people living here. For instance, if I want to take a trip it is easier for me to go down to Boston and New York than it is to

go to Montreal by car, and particularly it would be true by water if we wanted to ship. The whole point is that that is our natural area in which we would trade if it were not for the international boundary and the fact that we do have trade with Canada which we want to develop and keep. It is an unnatural thing, and we have to be helped to keep it going. I think that is part of our case.

THE CHAIRMAN: Mr. Spence, how far did you say Fredericton is from Montreal?

MR. SPENCE: 460 miles by rail, sir.

Q. There is one question I would like to ask you, Professor Love, as to the last sentence in the third paragraph on page 2. You say:

"We sincerely believe that the Canadian National Railway has a capital structure which certainly should be revised."

Just so that we may have your views on the record, would you please tell me why you hold such a belief?

A. What page is that on?

Q. Page 2, the third paragraph, the last sentence.

A. Well, we feel that the burden of fixed charges that the C.N.R. has to carry, due to the nature of the building up of the C.N.R. system, is too great, and that it should be scaled down to some sort of fair value of the actual value at the present time of their lines and system and equipment, so that they would not have to take out of their earnings charges which they could not be expected possibly to make.

Q. I am perhaps bordering on Mr. O'Donnell's field here, but I just want to point out that the

Canadian National fixed charges, except equipment obligations, pertaining to Eastern lines, that is, in the Maritimes, are only, according to my information, about \$19,000; practically all of the property used in the Maritimes --

A. That might be true, but that has nothing to do with the whole system. It is the whole system we are concerned with. The C.N.R. has to show a deficit or a profit or whatever it is, and it is the charges of the whole system that come in, not just the eastern lines.

Q But in the Maritimes --

A. That is an interesting fact.

Q. -- the property is entrusted to the Canadian National by the Government for operation.

A. That includes the I.C.R., does it?

Q. I believe so, yes; so that the Canadian National has practically no debt structure in the Maritimes.

Now, Mr. Chairman, on pages 3 and 4 of the brief the recommendations of the Province of New Brunswick are listed, and with reference to the first four recommendations dealing with the Maritime Freight Rates Act I think it might be useful to the Commission if I drew its attention to the Canadian Pacific's position, which is that the Maritime Freight Rates Act should not be extended, as in the view of the company transportation subsidies are uneconomical.

THE CHAIRMAN: Do you mean to say, then,

that this extension of the preferred movement as far as Toronto and then eastward as well as westward, does not meet with your approval?

MR. SPENCE: Exactly, my lord.

THE CHAIRMAN: Because it would require Government assistance to be made effective; is that what you say?

MR. SPENCE: We recognize that the Maritime Freight Rates Act as it stands is a fact that cannot be overlooked, and that the Act cannot be repealed overnight and the situation upset in that way, but we do oppose any extension of the principle of transportation subsidies.

THE CHAIRMAN: Because it would entail a transportation subsidy; that is the reason why you would oppose it; is that it

MR. SPENCE: Because it is uneconomic, my lord; it is not in accordance with what we submit are proper economic principles, and we will of course elaborate that fully in our final submissions to the Commission; but at the present time I just want to say briefly that that is our position. We are not asking for repeal of the Maritime Freight Rates Act, but we just oppose the extension in any way of the Act or the principle of the Act beyond the Maritime area.

MR. BARRY: Would my learned friend say why it is uneconomic? Why does he say that?

MR. SPENCE: We will set that out very fully in our final brief to the Commission.

MR. BARRY: The effect of what my learned friend says is just, "We don't want it, we don't like

subsidies." Is that right?

MR. SINCLAIR: We do not think they are economic, not on transportation. We will give our reasons later.

MR. SPENCE: Yes.

Q. Now, Professor Love, at the top of page 8 you say:

"....it is probably true that the Maritime Provinces, in proportion to their population use the railways for long hauls more often than most other sections of the Dominion and especially for long-hauls on imported goods,...."

I think you said to Mr. Covert this morning that a little later on in that paragraph the word "export" meant to points outside the province?

THE CHAIRMAN: In Canada.

MR. SPENCE: Q. In Canada?

A. In Canada.

Q. Now, do you have the same meaning for "imported goods", or does that relate to goods from abroad?

THE CHAIRMAN: Where is the word "imported"?

MR. SPENCE: In the first sentence, my lord, the fourth line:

"....use the railways for long hauls more often than most other sections of the Dominion and especially for long-hauls on imported goods,...."

MR. BARRY: From Central Canada.

MR. O'DONNELL: The same meaning as the other.

MR. BARRY: It means from Central Canada.

THE CHAIRMAN: It means brought from Central

Canada?

MR. BARRY: That is right, sir -- manufactured goods imported from another province.

MR. SPENCE: Q. That is the meaning that you --

A. I take it to have the meaning that imported goods from Central Canada must have the long haul, but for our exports, we do not have very long hauls if we export out of New Brunswick; but if we have to sell in the Central Canadian market, then we will have to use the railways more. That is what I take that paragraph to mean.

Q. Then on goods that are imported from abroad, whether from Europe or Africa or the West Indies, or even from Central Canada, the distance, I suggest, to Maritime markets is less than the distance from those countries or areas that I mentioned to any part of Western Canada?

A. On goods imported from abroad we have short rail hauls, that is right, shorter than Western Canada, shorter than the prairies, for example; yes, no doubt about that."

Q. On imports from any point abroad, Europe or Africa or the West Indies, your distance to the Maritimes is less than to any part of Canada?

A. That is, the rail hauls?

Q. Yes.

A. Yes, that is right.

Q. The rail haul and the water haul from any country beyond the Atlantic?

A. The total distance would be less, too, including the water haul; that is obvious.

Q. Now, on pages 9 to 12 of your brief you deal with the effect of freight rates on the New Brunswick consumer. In the budget speech delivered by the Hon. J. J. Hayes Doone, Provincial Secretary-Treasurer, which was delivered on March 23, 1949, I note that the revenues for the last fiscal year from New Brunswick Liquor Control Board were \$6,606,000. Now, I suggest to you, Professor Love, that the amount spent in New Brunswick on liquor -- that is, granting the Government a 50% profit -- would be over \$12,000,000, and I suggest that that would be approximately twice as much as is paid to the Canadian Pacific for freight charges in New Brunswick; would you say that that was a proper statement?

A. Well, it may be true, but I do not see why we should be denied our liquor here because of high freight rates or low freight rates.

Q. I suggest that it is perhaps something other than freight rates that is causing the headaches in New Brunswick, that is all.

A. Well, I do not think that your implication is fair. I think as a citizen of New Brunswick I resent it.

Q. Well, I did not mean you to resent it at all, but I merely suggest that the freight rates are really very low in this province as compared with some of the other expenditures that the population of the province is able to make.

A. You can make all kinds of comparisons of that nature.

Q On page 11 in the middle of the page you give some examples of prices of consumer goods in New Brunswick as compared with the United States and central Canada. You mention electric refrigerators, Frigidaire refrigerators and electric stoves. I think you said this morning that you thought some of the freight charges were being absorbed by the manufacturer?

A I was not sure. I don't know for sure.

Q You said you were surprised the spread was so low?

A Yes, I was surprised at the low charges the railways make for carrying a heavy object that far. I really was. I think they do a good job.

Q I think you said the spread was negligible at one time?

A It is negligible on the particular one we quoted. I do not want to give a wrong interpretation there.

Q I am just speaking of these figures you give on the Frigidaire?

A That the \$4 may seem negligible on a purchase costing \$339, but on 4,000 refrigerators it builds up. That is just one of the factors. I mention later on there is a comparison on automobiles where the cost is \$50, and the freight builds up adding to our cost down here due to the tariff protection.

Q In any event, you were surprised that the amount was so low?

A Yes.

Q I suggest that perhaps you do not realize how low the freight charges are that are being made to this province.

A I think the railways are good. I am proud of our Canadian railways. We have no quarrel with them at all.

Q During the noon recess I obtained the weights and freight rates on Frigidaire refrigerators and Frigidaire electric stoves. I am informed that a Frigidaire refrigerator, model MJ7, weighs 315 pounds. The rate from Toronto to Saint John and Fredericton is \$1.39 l.c.l. per hundredweight.

THE CHAIRMAN: How much?

MR. SPENCE: \$1.39, less carload, and 87 cents carload, so that on a refrigerator weighing 315 pounds, if my arithmetic is correct, the freight charges would be \$4.38 if it were an individual shipment l.c.l., or \$2.74 if it was shipped carload. The electric stove, model RK20, has a weight of 270 pounds, and the rate is the same, that is, \$1.39 l.c.l. and 87 cents carload, so that the charges on a stove of 270 pounds would be \$3.76 l.c.l. and \$2.35 carload.

MR. FRAWLEY: Are those the rates to Saint John?

MR. SPENCE: Saint John and Fredericton; it is the same rate.

THE CHAIRMAN: From where?

MR. SPENCE: From Toronto.

Q Therefore I suggest, Professor Love, that the spread in the price which you quote here of \$4 between Ontario and New Brunswick is more than the freight rates, except in the case of a refrigerator sent l.c.l.

A Yes, but carload lots are not likely to come in now. That is true.

MR. FRIEL: Q. There is no absorption?

A No.

MR. SPENCE: Q. In that same paragraph you point out the spread between New Brunswick and the United States on these articles is about \$120. At several points in your brief, and in your evidence this morning, you stated that the railways should be made the instrument for remedying this situation. I should like to get your views as to how the transportation rates could be made a remedy for the situation even if they were reduced to zero because if this rate, for example, was reduced to zero you would only reduce your prices by something in the vicinity of \$4 whereas you have a spread of \$120 between New Brunswick and the United States?

A These examples show how we in the Maritimes have to pay higher costs for our consumer goods, particularly the goods that are manufactured under the customs tariff. Because of that we feel that since we are subsidizing the Central Canada manufacturer, that everything possible should be done to make it possible for us not only to buy cheaply up there but to sell cheaply up there, and that the railways are instruments that will help us to do that. That is our case. Your particular example of \$3 against \$150 is not the case we are trying to prove at all. It is just the general principle.

Q I suggest that even a very great reduction in what freight rate there is would have very little effect on the spread?

A A reduction which makes it possible for us to sell where we otherwise could not is vital. That is our point.

Q Well, we will leave that and go to page 21. In the second paragraph on page 21 you say:

"There it is requested that the Board of Transport Commissioners be instructed to regroup freight rates from the New Brunswick field."

So that I take it that you do agree that this is a matter that should be dealt with, if it is dealt with, by the Board of Transport Commissioners.

A We think it can be. There may be a legal point there that I am not familiar with.

Q You are not suggesting that the Board does not have the power to do this at the present time, and that the Railway Act should be amended to make it mandatory on the Board to deal with these rates?

A As far as I know the Board of Transport Commissioners could do that without any further direction.

Q And you are aware that the Board has the power under the Railway to disallow any tariffs which are considered to be unjust or unreasonable?

A Yes, but we suggest that this Commission might draw their attention to this particular case, or any other case like it.

Q But you are not suggesting that the Railway Act should be changed to make it mandatory?

A In this particular case you mean?

Q Or in a case of this kind?

A That is a hard one.

MR. BARRY: We are not asking that the Railway Act be amended if they do it otherwise - if they do it otherwise.

MR. SPENCE: Q. Since the Board has the power now, I should like to know what the province suggests should be done?

A We would like this Commission to recommend to the Board of Transport Commissioners that they do it.

Q And would you suggest that the Board then should make the change which you suggest without a review of all the circumstances?

A Oh, no, I think they should investigate it.

Q Investigate it?

A And do it if it seems reasonable and fair.

Q If it seems reasonable?

A Yes.

Q That is the very thing that I am suggesting that the Board has the power to do now?

A Well, they may not take action.

Q Have the New Brunswick coal operators at any time made application to the Board?

A I believe they have.

Q For the regroupings which you suggest?

A Whether that particular point was asked for I do not know, but they have made representations time and again to the Board of Transport Commissioners regarding the situation at Minto. I don't know whether that particular request was made. I do not believe it has been. Mr. Matheson can tell you that better than I can.

THE CHAIRMAN: Do you not think, Mr. Spence, that where the word "instruction" is used, that it comes back to this, that under paragraph 2, clause B, of the Order in Council creating this Commission, we are to

review the Railway Act with respect to such matters as guidance to the Board, and if we think the Board are not applying proper principles we can recommend that they act on other principles which seem proper to us.

MR. SPENCE: Yes.

MR. BARRY: There is one feature that creates difficulties for the Board of Transport Commissioners in that it is a private spur line made by special arrangement between the company and the railway under the C. N. Act.

THE CHAIRMAN: What do you say about it?

MR. BARRY: It does create difficulty in that there is a special arrangement approved by order in council, about which Mr. O'Donnell or Mr. Spence can speak in more detail.

THE CHAIRMAN: Approved by Dominion Order in Council?

MR. BARRY: I believe so. We do not have a copy of the agreement, but there is a special agreement between the operating company and the railway, and it is called a private spur line. That has to be brought up to a certain standard. I do not have the agreement, but I am sure the C.N.R. have it.

THE CHAIRMAN: We are discussing just now the powers of the Board of Transport Commissioners.

MR. BARRY: As I understand it, the Board of Transport Commissioners would have no power over that private spur line.

THE CHAIRMAN: Oh, no, if it is not a dominion line they would not.

MR. O'DONNELL: It is a matter of private contract.

THE CHAIRMAN: But you would have it made a dominion line?

MR. BARRY: We would have some action taken to regroup the freight rates from the field.

THE CHAIRMAN: The regrouping asked for has to be done by the Board, but they can only act within their jurisdiction, and that extends only to dominion lines.

MR. BARRY: That is right.

THE CHAIRMAN: Something may have to be done first in regard to the line that you have in mind now.

MR. BARRY: That is right; there are two features of it.

THE CHAIRMAN: Before they would have any jurisdiction over it at all. It might be declared a work for the general advantage of Canada, or something like that, or joined to a federal line.

MR. BARRY: It could be, sir. It is actually owned now.

THE CHAIRMAN: The point does remain that they have not jurisdiction, and action would have to be taken to give it to them by making it a dominion matter.

MR. MATHESON: May I interject for a moment to clear up this point? The order in council is P.C. 1444 of August 23, 1924, which had to do with that particular spur line between Hardwood Ridge and Minto. Under the Canadian government Railways Act branch lines are within the jurisdiction of the Canadian government railways, now the Canadian National Railways, to construct. It is my opinion and my belief that there could be a case of unjust discrimination before the Board of Transport Commissioners

except for that particular proviso of this Order in Council, and the fact that it comes within the Canadian National Railways Act and is outside of the jurisdiction of the Board. I think that is one of the points involved.

THE CHAIRMAN: Of course, if it is outside the jurisdiction of the Board, the Board is powerless.

MR. MATHESON: That is the point.

THE CHAIRMAN: An investigation might be directed to see how it might be made subject to the Board's jurisdiction.

MR. MATHESON: That is right.

THE CHAIRMAN: And then what principles the Board should apply in dealing with it.

MR. MATHESON: That is the point.

THE CHAIRMAN: We will adjourn now until tomorrow morning.

---The Commission adjourned at 4.45 p.m. to resume on Tuesday, July 19, 1949, at 10.30 a.m.

HANDBOUND
AT THE



UNIVERSITY OF
TORONTO PRESS

